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Monday April 7 1986

D 8523 B

# **US** links Gadaffi in Berlin

# launch of with bomb executive saloon

killed and more than 150 wounded on Saturday. US officials admit, however, they have no hard evidence implicating him directly with

An Administration official said the latest incident fitted a pattern of indiscriminate violence against Americans by Col Gadaffi The Administration's accusation

caused speculation that it might the preparing American and international opinion for tough US military retaliation against Lihya. Page 18

#### Bombing alert

US forces and West German police stepped up security as the hunt continued for bombers who killed two people and injured more than 150 in a West Berlin discotheque frequent-ed by American soldiers. Page 2.

#### Beirut shooting

Sniper fire and grenade hlasts marred a new truce at Beirut's embattled Palestinian camps as 400 war-weary citizens staged a "peace marathon jog, urging an end to civil strife.

#### Oil output haited

All Norwegian oil and gas produc-tion stopped after 670 offshore caterers went on strike for more money and employers retaliated hy locking out all other oil production workers, Page 2.

#### Guif tanker hit

Fire on hoard a Saudi Arabian tanker was extinguished following an Iranian attack in Qatari waters which left one crew member missing and seven injured. US safeguard, Page 2.

#### Zambian ministers

President Kenneth Kaunda of Zamministers in a continuing effort to keep his faltering southern African peace initiative alive and repair Zambia's shattered economiy.

#### Peace talks hitch

Central American peace talks among 13 Latin American foreign ministers were drawing to a close bogged down by military matters and clouded by a growing frustra-tion with US policy in the region.

#### Weinberger visit

US Defence Secretary Caspar Weinberger arrived in Manila and was expected to discuss military aid to the Philippines with President Corazon Aquino.

#### Serb leader freed

Kosta Bulatovic, 50, a Serbian leader whose arrest four days ago caused widespread demonstrations hy as many as 7,000 Serbs in Yugoslavia's Kosovo Province, was released. He had been charged with spreading propaganda attacking the country's constitutional order.

#### Wine chief held

The owner of a wine-producing company in Parma, northern Italy, became the ninth person arrested adulterated Italian wine that has killed at least 16 people. Page 2.

#### Strikes warning

Swedish Finance Minister Kjell-Olof Feldt warned that widespread white-collar strikes and lock-outs planned for this week would en-danger efforts to curb inflation.

#### Liner aground

4

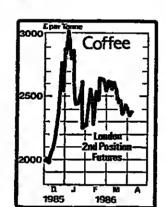
The Italian cruise liner Achille Lauro ran aground with 600 tourists on board at the entrance to the port of Alexandria, Egypt, close to where it was hijacked by Palestinian guerril-

# **BL** delays

The US is linking Col Gadaffi. Lib-ya's leader, to the Berlin nightcluth homhing in which two people, in-cluding an American soldier, were children and a soldier, were saloon developed in collaboration with Honda of Japan. Page 18

> TOKYO share prices recouped some of the week's losses in Saturday's half-day session. The Nikkei index rose 104.52 to 15,124.33 after a 252.43 fall on Friday. Buying was centred on public-spending-linked sbares. Leading prices, Page 29

WORLD trade will surge this year due to falling oil prices, the Econo-mist Intelligence Unit forecasts.



COFFEE prices on the London fu-tures market were depressed last week by plentiful supplies and slack demand. The July position ended £125 lower at £2,379 a tonne its lowest level since mid-February. News that the US would not, as expected, be leaving the price-sup-porting International Coffee Agreement, failed to halt the slide.

SOVIET trade with the West went into deficit last year, largely due to a drop in oil revenues. Page 4

SENIOR Government officials from the 22 members countries of the International Energy Agency will meet in Paris on Thursday to pool their views on the collapse in oil prices. Page 18

#### COMPANIES

#### Accord on debt rating agency

DEMERGER Corporation has an nounced agreement to set up a UK debt-rating agency in its revised offer for Extel, British business and sporting information group. Page 19

BANK OF CYPRUS Group, island's largest banking organisation, saw pre-tax profits up 15 per cent to CC6.4m (\$12.4m) in 1985 to C£5.8m. The board is proposing a 15 per cent, the same as last year. Page 21

STANDARD Chartered Bank of the UK will consider the £1.17bn (SI.73hn) Lloyds Bank takeover of fer at its monthly board meeting to

morrow. Page 22 LAIRD GROUP, UK engineering concern, increased pre-tax profits in 1985 by 20 per cent. Page 22

ALAMITO, Arizona-based energy wholesaler, has agreed an improved offer from Osceola Energy Develop-

ment, an investment group. Page 21 INSTITUTE of Directors in the UK wants changes in legislation to allow companies more freedom.

ALITALIA, Italy's state-controlled airline, more than doubled net profits last year. Page 19

HUNGARY is back in the Eurocredit market with a \$275m, eight-year credit, its first ever to include a margin of just ¼ per cent as part of

# Realignment of EMS satisfies French need for devaluation

BY PAUL CHEESERIGHT IN OOTMARSUM, NETHERLANDS

FRANCE RELAXED its pressure yesterday for an 8 per cent devalua-tion of the franc against the D-Mark and settled for an effective 5.8 per cent devaluation as part of the broad realignment of European Monetary System currencies which was negotiated by EEC finance ministers at the weekend.

All governments declared themselves satisfied with the relatively smooth handling and outcome of the EMSs ninth realignment, triggered by the desire of the conservative parties making up the new French Government to boost the country's competitiveness and pave the way for lower interest rates.

The change in the franc D-Mark relationship was achieved by a 3 rate and a 3 per cent revaluation of changed - a decision which some the D-Mark. The Dutch guilder was observers thought could leave the likewise revalued by 3 per cent, the lira vulnerable within the EMS over Danish krone by 1 per cent and al- the coming months. Mark Eysens, the Belgian Finance age devaluation against other EMS Minister, the Belgian currency had currencies is 4.7 per cent. Mr Edou-

**NEW ECU CENTRAL RATES** 

D-Mark Belgian franc Danish krone Ralian fira UK pound Dutch guilder 7.91896 1496.21 0.712956 Greek drachma

French franc. Equally surprising was Italy's decision not to move the lira downwards with the French franc. Dr Giovanni Goria, the Italian Treasuper cent devaluation of the French ry Minister, was apparently happy currency against its EMS central to leave the lira's central rate un-

hroken its traditional link with the

As a result of the occasionally difso, in a surprising move, the Belge-Luxembourg franc was revalued by ficult negotiations at a Dutch holiper cent. As a result, said Mr day hotel, the French franc's aver-

ard Balladur, the French Finance Minister, said this was "indispensable for his Government's objectives which included fixing the franc's value on a realistic and stable basis."

In addition to its devaluation

against the D-Mark, the French

franc will be worth about 5.8 per cent less against the Dutch guilder; 4 per cent less against the Belgo-Luxembourg franc and Danish krone and 3 per cent less against the Irish punt and the Italian lira. Dr Gerhard Stoltenberg, the Wes German Finance Minister who had resisted a full 8 per cent franc devaluation during a two hour bilateral meeting with Mr Balladur which paved the way for final agreement said the revaluation of the D-Mark represented "no disadvantage" for the German economy. He expected that "the EMS will be calm for some time, providing everybody follows economic stabilisation policies."

Most ministers thought the realignment held out the promise of lower interest rates. Dr Onno Rud-

Continued on Page 18

Background, Page 3; Feature and editorial comment, Page 16; Lex, Page 18; Healthy French franc bonds, Page 19

# Fiat to raise L1,125bn in record rights issue

BY JAMES BUXTON IN ROME

FIAT, the Italian, private-sector industrial group, is to raise L1,125bn (S711m) by means of a rights issue

new category of non-voting savings shares, is the largest in Italian history. It will include shares reserved for all Fiat's 224,000 employees, repemployee sbare ownership in Italy. The board of Fiat, chaired by Mr

Gianni Agnelli, approved the rights issue on Saturday at a meeting in Turin. After the meeting, Mr Mohammed Siala, who represents the Libyan Arab Foreign Investment Company, said Libya was not in-tending to sell its 15 per cent stake in Fiat, which bas been the source of much speculation recently. If Libya did sell, Mr Siala said, it

was obliged under an existing agreement to offer the shares to IFI, the holding company controlled hy the Agnelli family, which owns 31 per cent of Fiat. Mr Gianluigi

The savings shares carry no vot-Gabetti, managing director of IFI, said that IFI was in a position to exercise its option. At present, the nary shares. Savings shares are al-Lihyan stake is worth roughly so attractive to investors because

The decision of the Fiat board to make a rights issue reflects two factors. One is the good progress of the to help finance its increased invest-ment needs over the next three years. company which is soon expected to announce record 1985 profits in excess of LL,000hn on sales which The issue, which will consist of a reached L26,330bn.

> The other is the remarkable rise of Fiat shares on the Milan stock exchange in the past few weeks. At the beginning of January they stood at just under 6,000 each. Recently, they touched L14,000. On Friday night they closed at just under L13,000, giving a price earnings ratio of about 80.

Under the rights issue, Fiat is to issue 225m savings shares at a price of L5,000 each, composed of L1,000 nominal value and a LA,000 premium. Some 202.5m savings shares will be offered to holders of existing ordinary and preference shares on a one-for-10 hasis; the remaining

The savings shares carry no voting rights but will pay a dividend of L30 above that paid on Fiat ordithey avoid the 15 per cent withholding tax that applies to dividends on ordinary shares.

As a further incentive, Fiat is to offer the holders of the new savings shares options to buy shares in Coman, the wholly owned subsidiary which is a successful maker of production systems. Coman will be list-be followed by a cut in French intersavings shares will have the right to | Balladur's announcement the option is exercised in

The rights issue, for which share holder approval will be sought at the beginning of June, will lift Fiat's nominal capital by L225bn to L2,250bn. The last time Fiat made a capital increase, in 1984, it raised L760bn in new funds.

Fiat's board said the money raised by the new issue would go to help finance an investment programme of about L10,000bn over the three-year period from 1987 to 1989. This represents an increase in Fiat's investment needs. Last year the company invested a total of L2,450hn in plant and in research and development in the coming three years, it is expected to invest an average of L3,300hn a year.

#### Paris aims at cutting inflation to 2.3% this year

By David Housego In Paris

FRANCE'S new right-wing Government yesterday announced fresh restrictive fiscal and monetary policies to prevent a revival of inflation in the wake of the devaluation of the French franc against the D-Mark.

Mr Edouard Balladur, the Minis ter of Finance, last night committed the Government to bringing down inflation to 2.3 per cent by the end of the year. This is slightly higher than the French Treasury's internal forecasts before the devaluation, which had anticipated that inflation would fall to 1.5 to 2.0 per cent by the end of the year, but well below the 4.7 per cent France achieved

Mr Balladur accompanied his announcement of public expenditure cuts and of a clamp down on salary ncreases for public employee with moves towards a substantial lifting of price and foreign ex-change controls designed to liberalise the economy and strengthen corporate profitability. He said the Government's aim was to eliminate the budget deficit - now more than

3 per cent of GNP - in three years.
The measures are a prelude to
the full statement of Government policy that Mr Jacques Chirac, the Prime Minister, is expected to make before the National Assembly

on Wednesday.

The devaluation none the less came under immediate attack from the Socialists, with Mr Pierre Berégovoy, the former Finance Minister, accusing his successor of abandon-

ring disinflation as the policy priority.

The French employers associa-tion, the CNPF, described the devaluation as sanctioning, a judgement on the mismanagement of the Socialists and putting French companies back on an equal footing with their competitors. Trades unions

ed on the Milan stock exchange lat- est rates. But the room for substaner this year and holders of the new tial cuts has been limited by Mr basis at the official price, provided | held to under 5 per cent. This compares with a target range of 4 to 8 per cent for 1985 but an overshooting of monetary growth, which expanded over the year by 7 to 8 per cent. Credit growth this year is to be concentrated on the corporate

> Mr Balladur's statement did not promise a full lifting of foreign exchange controls, but French expor-

Continued on Page 18

# Japan plans package to boost growth

rmantial times paturaly expens a reco

BY JUREK MARTIN IN TOKYO AND PHILIP STEPHENS IN WASHINGTON

JAPAN WILL unveil in the next 24 hours another economic reflation ary package and a longer-term plan moves to replenish the funds of the to make its domestic economy more International Development Agency. internationally receptive.

step up its pace of growth by fiscal blamed. Page 18

There is growing scepticism among these nations over Japan's ability to meet its forecast 4 per cent real growth this year. Domestic demands are also mounting for action to offset adverse impacts of the higher yea.

The package, due to be approved initiative last autumn. It will contain little of apparent immediate partners beyond the underlying as-

icy tool. About 78 per cent of the public works budget is to be dis-bursed in the first half of the fiscal year, which began on April I. In rean import drive between now and cent years it has been customary the summit. for more than 70 per cent to be In Washington, the IMF in the front-loaded in this way, but the 78 carefully-coded language character-

prices of imported goods in the do-mestic market to ensure that they Mr Noburu Takeshita, Japan's Fi-

The package is also likely to incation of monetary policy. However, it is less certain whether this will be accompanied by a further cut in the which is anxious to avoid a public discount rate, now at 4 per cent.

Prime Minister, on how Japan's economy might be made more internationally compatible.

the soft-loan associate of the World The move comes as the country faces renewed pressure from other Dutch Finance Minister, and chairleading industrial nations, whose man of the weekend's talks, said representatives are gathering in the European attitude was con-Washington for an International structive and if the IDA did not suc-Monetary Fund policy meeting, to ceed the Europeans could not be

The commission, headed by Mr Haruo Maekawa, the previous governor of the Bank of Japan, the central bank, will call for a shift in economic priorities from export led growth to expansion by domestic demand. It will deal mainly in longby the Cabinet tomorrow, bears a term structural issues, such as marked resemblance to a previous working hours and the absence of indigenous investment incentives.

The timing of these policy initiabenefit to Japan's major trading tives bas been determined by the fact that Mr Nakasone leaves for sumption that faster domestic ex-pansion is expected to suck in more with Reagan Administration officials. This is both a bilateral exer-Its main elements will include: cise and part of the preparation for Higher public spending in the the world summit to be held in To-current fiscal year, a traditional policy early next month.

Separately, the Ministry of International Trade and Industry has announced that it will orchestrate

per cent figure is said to be the istic of its policy pronouncements, highest on record.

The passing on to industrial and personal consumers of windfall economy is faltering, profits being earned by the utility.

The Fund's forecasts suggest that

companies as a result of the combithe Japanese economy will expand
nation of lower oil prices and a by far less than its productive cahigher yen. The Government may
also keep a closer watch on the negative impact of the Govern-

reflect at least some of the yen's nance Minister will hear these conappreciation.

The Further incentives to the construction industry through the deregulation of government controls nance Ministers of West Germany, over commercial huilding in resid- France and Britain are expected to ential areas and through the issue join the talks later in the day at a of more government construction meeting of the Group of Five indus-

 $f_{2}^{n} = e^{n} \cdot n$ 

医恐怖 聖養者

The formal session of the IMF's chide a plea for more flexible appli- policy-making interim committee

row ahead of the Tokyo summit, In an additional move a report has been arguing privately that too will be released today of a special much external pressure for it to excommission established last year pand its economy could be counter-hy Mr Yasuhiro Nakasone, the productive because of domestic political sensitivities.

IDA cash boost, Page 18

# Texas bank failure may leave largest depositors unprotected

BY WILLIAM HALL IN NEW YORK

savings and loan, which has been the A hit by heavy losses on its loans to Loan. troubled Texan property

industry.

Mainland was one of the fastest of the bank's largest depositors from losses on their investment in jumho certificates of deposit (CDs) which Mainland used to finance its

rapid growth. Officials of the Federal Home Loan Bank Board (FHLB), the growth, agency which regulates most of the Norm

US BANK regulators bave closed Mainland Savings, a SIhn Houston sured to the maximum \$100,000 will fects on confidence if large depositive access to their money through tors were allowed to lose their money. have access to their money through the Allenpark Federal Savings and

whose problems in property have growing savings banks in Texas and is one of the largest financial institutions ever allowed to fail in the collapse in oil prices on the 12-was economy, and they are now causing US bank regulators serious concern. Its assets bad more than concern. growing savings banks in Texas been exacerbated by the impact of lators are not going to protect some over \$600m in high-yield jumbo CDs of the bank's largest depositors to finance its growth. US bank regulators have been critical of the way many fast-growing savings banks have been able to tap the money markets with the help of big brokerage firms to finance their rapid

Normally, when a bank or savdown the state chartered institution because it had a negative net worth.

Depositors whose funds were insured bank fails in the US, regulators construction lending funded through broker deposits and in house sales of high-cost jumbo CDs.\*

ey. It was feared that other depositors would withdraw their money Mainland is typical of the fast- from other savings banks and pre-growing Texas savings banks cipitate a run on their deposits. cipitate a run on their deposits.

However, the cost of rescuing the rowing number of savings banks in trouble is putting a heavy strain on the savings banks' insurance funds, which protect depositors, and regulators are under growing pressure to allow big depositors to lose some of their money. This is seen as one way of restoring some discipline into the market place.

The FHLB, which will inject extra capital into Mainland says that Mainland's problems reflected its "aggressive programme of high-risk, poorly under written land and

# AN UNBEATABLE



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Technology: TV tubemakers' Brazil: reaction to the Management: Phelp Dodge's Lombard: the unpopular EMS moves: implications for Lex: EMS; gilt yields; New York v London ...... 18 Italy Survey ..... Section III

Bomb attacks on US targets have forged close co-operation between American, West German and Egyptian officials, FT correspondents report

# Bonn looks for foreign links to bombing

on a West Berlin discotheque frequented by US soldiers, Leslie Collett writes from Berlin.

Genscher. West Germany's Foreign Minister.

Mr Burt pledged in West
Berlin that his Government was
determined to continue its camdetermined paign against worldwide "state yet be considered authentic. consored terrorism.

group to discover if any foreign powers were behind the attack. Mr Genscher vowed that if sucb evidence was found the Bonn Government would not hesitate to take the firmest sleps.

Berlin.

One GI and a Turkish woman were kilted and more than 150 people were hospitalised after could become a prime larget the explosion which tore apart the nightspot.

Helplessness prevailed despite German news agency in Berlin the defiaot reaction of Mr Richard Burt, the US Ambassador to Bonn, and Mr Hanssador to Bonn, sponsible for the attack. Other calls however said it was the

Security at US military and sponsored terrorism." Mr Security at US military and west Berlin's mayor, mr Genscher promised that West diplomatic sites in West Ger- Eberhard Diepgen, said every Germany would not allow its many was heightened during effort must be made to prevent and after last month's tensions terrorists from entering the city between the US and Libya over which is surrounded by East Common source which is surrounded by East merican friends to be and after last month's tensions terrorists from entering the city bombed out of our country." between the US and Libya over which is surrounded by East The West German Foreign the Gulf of Sirte. Acess to US German territory. West Berlin

were reinforced around the homes of senior officers But instead of a military or diplomtic installation. "La

Belle" a popular discotheque among GIs in West Berlin was singled out for a homh attack. Bolh American and German officials admitted there was little that could be done to stop terrorists hitting such targets A senior West Berlin police official explained that to spread a security net around every restaurant or bar frequented by the 7.000 American soldiers in Ber-In would bring life in the city

"It would be completely out of proportion to the results." West Berlin's mayor, Mr

peded from East Berlin after installations in West Germany arriving at Schoenefeld Airport in East Germany.

Although investigations were lauoched by the authorities in West Germany and West Berlin as well as the US army, officials were pessimistic that future attacks could effectively ba pre-vented. One West Berlin police official noted the only way to foil bomb attacks was to increase citizens' awareness of

There is damn little that can diplomat. He suggested that an increase in terrorist attacks on US forces in West Germany could fuel isolationist senti-ments in large parts of the US. Pressure could build to either do something to effectively pro-tect the lives of GIs or to "bring the boys home".

army shopping centres in West officials said thera were indi-Berlin and West Germany was tailona hut no proof that tightly controlled while guards terrorists had entered unim-were 12 attacks on US and Nato last year. Two people were kilted and 65 injured.

Bombs were placed in several cars belonging to GIs in West Germany in 1984 and were found to have been the work of West German terrorists. The far left Alternative List

(AL) party in West Berlin, equivalent to the environmentalist West German Greens, aeverely condemned the discotheque bombing. In the past they were frequently accused by the major parties of condoning terrorism, a charge they strongly rejected.

A atatement issued by the AL said no political group atale institution or individual representing an allegedly "just" poli-tical cause could be justified in the boys home". rerrorising and murdering
The hombing was the first of young people in a disco.

# Cairo ground staff investigated

with Egyptian officials in an effort security officials in an effort to establish the circumstances to establish the circumstances which led to last week's bomb blast on a TransWorld Airlines Boeing over Greece, Tony Walker reports from Cairo. The Egyptian Government has continued to strenuously deny that an explosive device was put on the plane in Cairo.

A US Embassy spokesman said that a representative of the US Federal Aviation Authority, permanently based in Cairo, is belping coordinate the investigation which also involves TWA and the US Federal Burean of Investigation.

Investigation.

investigation.

Investigations are focusing on the possibility that a member of the ground staff at Cairo airport secreted the bomb on the aircraft before it left for Athens and Rome

on April 2.
The International Air

Traffic Association has warned about loopholes in ground security at Cairo airport. As part of its aid pro-gramme in Egypt, the US is providing assistance to up-

Foreign airline representa-tives report that more care is being taken in screening passengers since last June's hijacking of another TWA Boeing bound for Beirut. There were suggestions then — hotly denied by Egypt that weapons were placed on the aircraft in Cairo for use by hijackers who boarded the plane in Athens

Meanwhile, a Lebanese woman who emerged as the prime suspect in last week's bombing has denied involve-ment. Mrs May Ellas Man-sour, a boutique owner and former militia fighter with a pro Syrian group, told reporters in the Lebanon's northern city of Tripoli she

had "no knowledge of the incident." Mrs Mansour, who boarded the plane at the last minute in Cairo under suspicious circumstances and left it in Athens for a connecting flight to Beirut, said she supported attacks on the US targets, "but not the way this attack was carried out."

was carried out."
The 31-year-old woman, who is partially paralysed from a stroke suffered two years ago, admitted she is a member of the leftist Syrian

Social Nationalist Party. Mr Fouad Sultan, Egypt's Tourism Minister, is the latest Egyptian official to refute suggestions there was a lapse of security in Cairo. Airline representatives say that it is impossible to guarantee 100 per cent security against determined and ruthless operators in an and ruthless operators in an environment like the Middle

weeks," provided safety rules were followed. Evan during a

stoppage, skeleton crewa bove to be kept on the platforms.

The dispute could spread

# Shultz shuttle diplomacy expected by Israelis

to visit the Middle East in the next few weeks, in a personal and a joint Jordanian-Paleseffort to inject fresh life into the badly faltering Arab-Israeli locked Taba border talks with

Persuoding the Secretary of stage is regarded here as the main achievement of Prime Minister Shimon Peres's threeday visit to the US last week.

No dates have yet been set for the Shultz visit. Nor has any clear inducation emerged of any crear indication emerged of tion.

Its expected duration. But Paving the way for a Shultz Israell daily Yediot Ahronot, occording to Israell officials visit, Mr Michael Armacost, a during his talks in Washington senior State Department official, mr Peres suggested that a sixundertake a Kissinger-style the three countries involved.

**Egyptians trim** 

public spending

By Our Cairo Correspondent

EGYPT 1S reducing government expenditures by E£300m

(£525m) as part of an austerity drive that saw the unveiling at

arb imports.
The Government hopes to expenditures by

MR GEORGE SHULTZ, the US progress simultaneously on two Israeli Prime Minister is Secretary of State, is expected fronts: the oborted moves to get reported to have promised to fronts: the oborted moves to get talks under way between Israel

Egypt, On bis return to Israel last State to ahandon his earlier re-luctance to get involved in the Middle East imbroglio at this complete the agreement with Egypt," set up action agoinst terrorism and "to explore the possibility of new opeoings with

Jordao following King

Husseln's recent break with the

Relegitor Vibranian Committee

The service of the s Palestine Liberation Organisa-

undertake a Kissinger-style the three countries involved shuttle hetween Jerusalem. over the next fcw days. Amman and Calro. In rejuro for Mr Shultz agree-

BY PATRICK BLUM IN SOFIA

drive that saw the unveiling at the weekend of a number of measures aimed at increasing the tax hurden on the rich.

But these measures, which

include higher charges for lin the country's managerial These had been caused by luxury goods, do not attack the most serious prohlems afflicting the Egyptian economy such as voting for party posts. About These had been caused by natural disasters, but industry also suffered from poor management and inefficiency.

The Government hopes to reduce expenditures by sharply limiting the number of officials travelling abroad and hanning purchases of new government cars.

Ministers appear to be having difficulty agreeing on a comprehensive programme to tackle Egypt's economic crisis because

Mr Zhivkov was unanimously re-elected party general secreproduction of consumer goods

BULGARIA'S

bloated subsidy system and one third of the 194-strong

lack of an effective regime to central committee places were curb imports.

make substantial improvements in the running of the occupied West Bank and Gaza regions. Among the relaxations and

coocessions are likely to be the appointment of Arah mayors for the three West Bank municipalities currently headed hy Israeli ormy officers, an increase in Palestinian family unifications in the occupied West Bank.

and two Israelis he set up, to Amman and Calro.

In rejuro for Mr Shultz agreed the holding of direct ment to lend bis weight to the be to try and make tangible Middle East peace effort the national umbrella.

Communist warned of changes in the

Mr Zhivkov emphasised the

need for a scientific and tech-nological revolution, but he

**Bulgaria** warned to expect

there were no changes in the dismissed suggestions that the Polithuro, its candidate memparty was falling prey to

re-elected party general secre-tary. In his closing apeech, he expanded to meet demand.

management changes

#### **US** steel union accepts pay cut

WORKERS at LTV Steel, the

heavily loss-making US steel manufocturer, have accepted deep wage and henefit cots in o contract which is expected to pave the woy to o round of pay concessions in the rest of the industry.

The LTV contract, which olso includes a pace-setting profit and stock-sharing clause, gained majority approval hy the group's 30,500 members of the United Steelworkers of America Union (USW) at the weekend, wbcu 61 per cent voted in favour. Agreement was reached in spite of strong opposition in some parts of the workforce, the first employee body to vote under the new syestem of individual compony bargoin-ing instituted this year,

As the LTV deal was concluded, talks in most of the other contract negotiotions were suspended to allow both the unions and management to reassess their positions. Most companies had aimed to reach conclusion in their negotia-tions by the beginning of April, but some details of the LTV agreement have stirred controversy elsewhere in the industry.

The most delicate issue is the question of overtime reductions and cuts in the use of non-union contractors. Both of these devices have been increasingly used in recent years to reduce steel

The cuts in remnneration The chts in remineration bave falleo particularly heavily on health care support. Some paid bolidays have also been eliminated and cost of living increases obandoned in a deal which LTV believes will cut its overall labour costs from \$25.19 an bour to \$21.59 an hour. Cash wages will fall by almost 9 per cent, to \$11.63 an hour from \$12.77. In return for these reduc-

tions, bowever, the nnion bas won the right to a share lu-future profits and a stock fund, as well as the right to tiations on the sale of any plant in the group.

#### Cap sought on liability awards

By Our New York Corresponder THE US Government is considering moves that would produce drastic cuts in the produce drastic cuts in the amount of domages injured parties could collect in liability octions against federal agencies or employees.

Draft legislation on the issue, which tieo in with the broader question of reform in the US legal liability system, is now being circulated in Washington. Actions against government contractors may also he brought into

against government contrac-tors may also he brought into the field of the legislation. Placing a cap on the amount of damages oppro-priate in any particular action was among the main proposals made by a government com-mittee looking into the problems that have orisen over the shortage of product tiabi-lity insurance in the US.

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# Stoppages hit Norway's oil and gas output

OIL and gas output in Norway's stoppage is a pay demand by workers downed tools and portance as a foreign exchange part of the North Seo was shut production platform catering simultaneously—as they had earner and a source of tax down yesterday by a combinacrews. In the seasonal bargain—warned they would—the revenue. The seasonal bargain—tion of strikes and lock-outs—ing between nnions and emembloyers declared a lock-out. Yesterday the Minister of and the stoppage seemed set to ployers, the catering workers' continue for some time.

The lost production is worth

tinuing as usual, but supplies to
Britain will he hit; the Norwegian sbare of Fries's

an estimated NKr 250m other offshore workers. The oil (£23.5m) per day. Fuel affected includes Frigg, which straddles the UK/Norwegian sector boundary and exports all its gas to the UK. Production on the included the first strand of the following the control of the total included the following the first strand to the following the following the following the following the following the first strand to the following the

proyers, the catering workers' of all other workers on Nor-union is this year seeking wage parity for its members with other offshore workers. The off The present low level of oll prices and the upcoming Organisation of Petroleum Exporting Countries (Opec) meet-

wegian sbare of Frigg's output is just over 60 per cent.

The immediate cause of the gap between the two sides was unbridgeable. The catering

ing on April 15, could well restrain the Norwegian Governnext week from production installations to the mobile rigs ment from intervening to force a resumption of work at present. which drill exploration wells. In the past, it has stepped in quickly in order compulsory settlement of offshore disputes settlement of offshore disputes ployees will be made on Thursbecause of the industry'a im-

A final attempt at arhitration between rig owners and em-

#### Oil price drop forces staff cuts in Abu Dhabi

PALLING oil prices have forced the Abu Dhahi National Oil Company (Adnoc) to make staff cuts throughout its 20-odd asked the companies to cut unsubsidiaries. Hardest hit is the \$6hn (£40.8hn) Upper Zakum project which last week axed 140 johs, over 50 of which are engineers eorning between \$4,000-\$6,000 per month.

Ty officials said Adnoc bas asked the companies to cut unnecessary expenditure and to reduce operating costs. Adnoc is asking operators to contract out certain work by tender, including catering, cleaning and maintenance.

Abu Dhahi crude prices re-cently fell from a 1981 high of around \$34 per barrel to around \$12 per barrel. Oil production accounts for over 90 per cent of Abu Dhahi's gross nationol

per cent by the end of June.

Eronomies are expected to be made across the hoard. Industry officials said Adnoc bas maintenance.
Tha operator of the Upper

Zakum field is the Zakum Development Company (Zadco), formed in the late 1970s to develop and operate the diffi-cult Upper Zakum oilfield at an

#### US 'will safeguard' free flow of oil through Gulf

US VICE PRESIDENT George one should question the seriousington was committed to safeinguarding freedom of navigation
in international waters and the
free flow of oil through the
Gulf states have witnessed an
unparalleled display of support

formed in the late 1970s to develop and operate the difficult Upper Zakum oilfield at an estimated cost, of \$25m. The actual costs have been calculated at closer to \$6hn.

The field, which has an even
The field, which has an evencontrol formed in the late 1970s to develop and operate the diffiting for 500 resident American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh, where he is on a three-day visit, the vice president American dined with Sheikh Ahmed Zaki Yamoni, Sandi Oil Minister, together with Mr William Capital Riyadh American dined All Adnoc subsidiaries have been calculated at closer to \$6hn.

been requested to submit detailed information on expenditure, together with proposals for economies to he made. Some of the subsidiaries are Some of the subsidiaries are Company.

actual costs have been calculated at closer to \$6hn.

The field, which has an eventual capacity of 500,000 barrels action by the US in the Gniff of Sirte off Lihya, no one should doubt that Washington was committed to the principle of the subsidiaries are Adnoc committed to the principle of the subsidiaries are committed to the principle of the subsidiaries are subsidiaries are committed to the principle of the subsidiari national waters: Similarly, no front.

Bush said yesterday that Wash-ington was committed to safe-the security of the Culf states,

Mr Bush's declaration came for their security hy highjust one day after an attack
by Iranian belicopters on a
Saudi-owned oil tanker, the
Petrostar, just off the coast of
nelghbouring Qatar.

Speaking at a breakfast meet.

# Broederbond seeks meeting with ANC

bond, which claims many top on the proposed purpose of the pressure government officials among its meeting and which Broedering with the banned African ontionalist organisation fighting understood to have been negative although a future meeting afrikane white rule in South Africo.

It is understood at the ANC beadquarters in Lusaka that officials of the Broederbond, the Brotherbood), hove approached the organisation through an intermediary, proposing talks. The national executive rommittee of the ANC, understood to have been negative, although a future meeting twe, although a future meeting was not ruled out.

Over the past six months, the ANC has held talks at its are in the proached the organisation neighbouring Zimbabwe and through an intermediary, proposing talks. The national executive rommittee of the ANC,

pressure on the South African

It has met groups ranging from liberal white husinessmen, opposition white politicians and Afrikaner intellectuals to Afrikaner intellectuals to cburch leaders, black trade union officials and the leader of one of South Africa's so-called hlack homelands, Ka Ngwane.

SOUTH AFRICA's most influits top policy-making body, has aim has been to form a brood-eotial Afrikaner association, met to consider the request and based anti-apartheld alliance eriment of President P W the secret Afrikaner Broeder has sought more information to increase domestic political Botha. While the ANC a formal position is that it will only negotiate with a defeated white regime which is preporing to hand over power and that it is still too premoture to consider even talks about talks.

The thrust of the so-called "grand 'alliance' strategy is clearly to prepare for the possibility of negotiotions at some earlier stage. The timing of Talks with the Broederbond, such talks appears to be a sub-however, would represent the ject of debate within the closest step yet to negotiations ranks of the ANC leodership.

#### **Poisoned Italian wine** leads to more arrests

BY JAMES BUXTON IN ROME

AS ITALIAN carabinieri con- who runs a wine-making and tinued to orrest wine makers wholesale operation at Parma suspected of producing wine containing illegal quantities of methanol, Mr Bettino Craxi, the Prime Minister, made a strong attock on the "authentic criminals" responsible

criminals " responsible.

They had not only endangered the lives of thousands and caused numerous deaths, be said, but had also caused Romagna and Manduria in "great damage to the Italian Apulio.
economy and to the "lmage"
of Italy in the world. He called terated wine to other wine on the judicial authorities to makers who bottled ond labelled

discovering more and more quantities of poisonous wine in makers whose products are wineries and shops, yesterday either adulterated or are susarrested Mr Carlo Bernardi, pected of being so.

act swiftly and severely against it and then sold it to shops and them. Carabinieri, who are still Health has now published the discovering more and more names of more than 60 wine-

#### Tighter EEC rules urged BY MAGGIE FORD IN BRUSSELS

MEASURES TAKEN by the 10 times as mucb.
Italian authorities in the wake The new wine scandol has of the poisoned wine scandal prompted members of the are to be reviewed by officials European Democratic group at

at the European Commission the European Parliament to this week as pressure mounts press on with their campaign, for changes in the rules started after last year's revegoverning labelling of wine. lotions that Austrian wine bad ltaly has already informed the Commission that all wines believe that all wine sold in now being exported are to carry the EEC should carry a list of a certificate contoining an ingredients similor to that analysis of the omount of found on processed food methyl olcohol in the wine. A Manufacturing methods which small amount of the additive olter the character of the wine is allowed, but the wine which such os adding sugar, preserv-has caused the deaths of 17 arives or pasteurisation would people has rontained more than also be shown.

#### Mandela says blacks now ready to face violence

THE black nationalist leader prepared to face that violence." Mrs Winnie Mandelo, yesterday dismissed as "nothing new" ber militant call for black Sonth

system. She had been address-ing a cheering crowd at Patha-kahle, in the Orange Free

Mrs Mandela, whose bushand Nelson Mandela is recognised as laader of the banned African ber militant call for black Sonth
Africans to intensify their
Struggle against apartheld,
Reuter reports from Soweto.

On Saturday, Mrs Mandela
had urged black people to enter
a new phase of "direct action"
aimed at "physically dismantling" South Africa's apartheid
system. She had been address.

blood, that is the only bonour-able onswer," she declared. South African medio did not State.

Yesterday, back in her bome speech, in which she said the in Soweto, she said: "I meant time would come when blacks nothing new other than a would be called on to go into "lilly-white" areas and "take" wealth

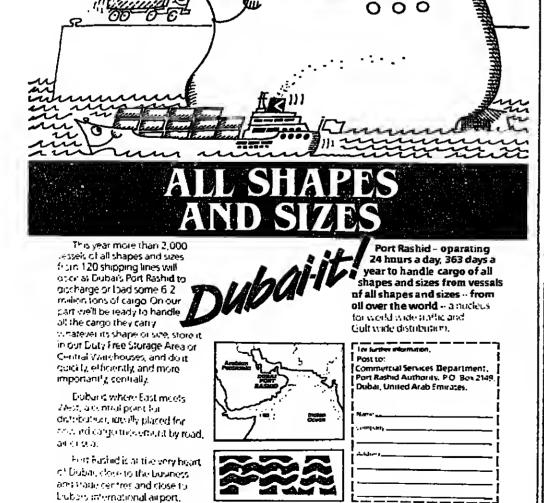
 Police yesterday reported six "We know Pretoria will mete more deoths in black protest ont violence. Wo are saying we violence which has claimed 1,400 are now more than ever before lives in 26 months.

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leather book.



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# How Balladur won his EMS deal

BY PAUL CHEESERIGHT IN OOTMARSUM, NETHERLANDS

wanted exactly. But everybody had done for the last major already declared policy of the smiled at the end. Realistic, realignment in March 1983. z new French Government, and moderate, they said.

But the chairmanship was there was little fresh.

the few sloping corners of the unity come after essential pre-Netherlands. And it was a story liminary sparring, however, that unfolded in relative tran-When, on Thursday evening.

17<del>0</del>e

Gulf

years ago, when people went out on to the streets shonting —and they weren't journalists," recalled Dr Onno Ruding, the Dutch Finance Minister. "This meeting is rather quiet."

He should know. He was the chairman at the weekend although there was a suggestion at one stage that a neutral ought to take over as the Dutch had the immediate future of the guilder at stake.

Mr Nigel Lawson was the obvions candidate for dis-interested chairman because Britain was on the sidelines, and he could do what Sir Geoffrey Howe, his predecessor

In essence that was the story of the ninth realignment of the European Monetary System axchange rates, negotiated over the weekend by European Community finance ministers at Cotmarsun which sits in one of the few sloping corners of the But the chairmanship was there was little fresh.

that unfotded in relative tranquility for velerans of previous negotiations.

"I can remember the bectic
developments in Brussels three
years ago, when people went
out on to the streets shonting
Trench devaluation against the

Deutschemark was cool.
Senior Treasury officials and central bankers making up the EEC's Monetary Committee, made only limited headway with the matter on Friday evening, leaving all the qey questions to be decided by the
ministers on Saturday.

Before he got down to
detailed haggling, Mr Balladur
had to justify the need for

THE FRENCH started it. The pean Currency Unit, how much others were not enthusiastic. the French franc could go the measures in accompany it Wiemsel, where the ministers Nobody obtained what they as Chancellor of the Exchequer,—the main thrust of them was and their officials were isolated wanted executive. But many designed collect of the behind a police margin. Mr

Apparently it was left to Dr Hans Tietmeyer, the German state secretary finance to make clear that Bonn might accept a 6 per cent devaluation of the franc. Until mid afternoon Saturday Mr Balladur argued his case for a

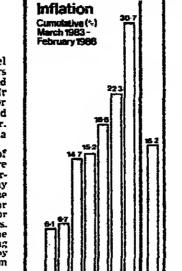
The Dulch, whose economy is The Dulch, whose economy is so tightly linked to its giant neighbour's, knew they would have to follow West Germany but they did not initially seek a revaluation for the guilder. Beigian wanted no change for the Beigian franc, it saw no technical reason for one. Italy could not allow the line to set could not allow the lira to get too far out of line with the French franc. But Mr Balladur

behind a police guard. Mr Balladur talked to Paris, Dr Stotenberg lalked to Bonn and the twu of them talked together. Dinner was evidently both a peaceable and lavish meal. The officials and bankers of

the Monetary Committee were elsewhere, working on a for-mula which would delay any immediate translation of the realignment into price rises for French and price falls for German and Dutch farmers. These wilt come out in the wash of an eventual price fixing agreement to be negotiated by Community's

Yesterday morning it all clicked together. In three quarters of an hour there was a new parity grid, starting from a 6 per cent devaluation of the with the matter on Friday evening, leaving all the qey questions to be decided by the ministers on Saturday.

Before he got down to detailed haggling, Mr Balladur had to justify the need for change. None of his colleagues would accept bis starting point of an 8 per cent devaluation against the D-mark. To some it smacked of a competitive devaluation. Others did not French franc against the



# West Germany can take revaluation 'in its stride'

BY OUR FOREIGN STAFF

able to take this weekend's revaluation of the D-mark in its stride. Mr Gerhard Stoltenberg, the Finance Minister, said yesterday.

to many since the last major.

any demanded and viewed the 3 per cent revaluation of the Dutch guilder as favourable for lower interest rates.

"Our exports to West Germany won't be jeopardised," Mr Ruding reported. many since the last major realignment of the EMS in March 1983. The competitiveness of German industry would not be affected, he said.

The main anxiety in Bonn now surrounds the eventual fall in prices for German farmers implied by the currency

changes.

Mr Ignaz Kiechle, the Bonn Agriculture Minister who is fighting EEC proposals for price cuts in the forthcoming farm season, served notice yesterday that the Government would pay the first of the graph of the krone was revalued by 1 per cent. Spanish Finance and Economy Minister, Mr Carlos Sotchaga said yesterday a devaluation of the poseta was not expected.

THE WEST GERMAN economy, national subsidies to protect domestic interest rates had set to achieve another record farmers' incomes, should the heen "fully achieved" in the trade surplus this year, will be negotiations, due to resume on EMS realignment. April 21, not yield a satis-factory result.

Mr H, Onno Rudring, the Mr H. Onno Rudring, the Dutch Finance Minister, praised the French for accepting a smaller 6 per cent devaluation of the franc against the D-mark yesterday. the French for accepting a smaller 6 per cent devaluation the 3 per cent upward shift in the D-mark's parity would bring no disadvantages for the economy.

The overall Dutch trade surplus will strink by 2 per cent, according to some EEC calcula-tions, but Mr Ruding optimistically forecast that the damage would be smaller because of higher sales prices and the Netherlands' strong international competitive position due to low inflation.

المكندا من الزهيل

undergoes no overall change in its value against the Euro-

of a three percentage point rise in lending rates to business imposed in February.

Due effect for Ireland of the

witch guilder as favourable for revaluation of the D-mark is to add to the cost of its \$9bm.
"Our exports to West Gerforeign debt, about one third of which is denominated in D-marks. However, Mr Bruton and central bank officials pre-dicted that this should he significantly outweighed by the effect of falling interest rates.
In Denmark, both the Govern-

# Lawson sits on sidelines after resisting UK membership

THIS WEEKEND'S realignment agreed that if the time was not of the European Monetary ripe a month ago, when the System passed off with none of exchange rate stood at DM 3.20 the speculation about sterling's entry into the exchange rate tainly not ripe now, when a mechanism that might have rate of DM 3.46 makes British been expected three weeks ago. exports less competitive. The meeting in Ootmarsum turned out a Franco-German affair, and Mr Nigel Lawson, Britain's Chancellor of the sexports less competitive.

But the level of sterling is not the only, or even the main reason why the Government has britain's Chancellor of the resisted calls from industrial-Eritain's Chancellor of the Exchequer, took a back seat.

London's financial markets have for the most part been longing for the UK to become including, it is thought the a full member of the EMS. Chancellor—have now been won That they did not anticipate sterling's entry this weekend considerable anxiety about bow represents a triumph for the ultrues of repetition.

to the pound, then it is cer-

investment currencies

A substantial shift of investment out of the dollar, as has But the level of sterling is not the only or even the main reason why the Government has resisted calls from industrialists, economists and Europhiles redistributed their portfolios between the two cur-

The French franc has to a great extent been insulated from this portfolio sbift effect that they did not anticipate over to the EMS, there remains sterling's entry this weekend considerable anxiety about bow sterling would behave within the represents a triumph for the virtues of repetition.

Both Mr Lawson and Mrs Thatcher have in the past sensitivity to oil price fluctuation that the time is not yet ripa for sterling to join the EMS excepted to weaken the pound exchange rate mechanism (ERM). The markets have

real interest rates, atready high by comparison with the rest of

higher.

The argument floated recently by Mr Lawson — that the Labour Party's opposition to ERM membership makes it undesirable to join for fear of turning the exchange rate into a political football — has won little acceptance, Treasury officials advance it with some embarrassment.

The second problem is that ened when oil prices felt. This sterling, like the D-mark but unlike the other ERM members, look for inflation meant that UK domestic monetary objectives one of the main international real interest rates, already high or an exchange rate target are genuine substitutes for the sort of financial discipline im-plied by membership of the ex-

vitange rate mechanis
Yet officials who remember
spending over £1bn of forelgn
exchange reserves and raising interest rates from 5 per cent to 7½ per cent to defend sterling during its brief membership of the European "snake" in 1972 remain worried about tleing the pound once again to a fixed exchange

# Mixed credits stance changed

THE European Community is prepared to move towards the US position in bringing mixed credit financing packages under stricter control by raising the minimum amount of ald in such packages for the poorest countries to 50 per cent.

Eventually, is to take the matter to the European Court of Justice.

It is arguing that because the mandate concerns aid as well as irade, it should have been settled by unanimous agreestly set at an arbitrary 10 per cent.

Suggests, may not be appropriate.

As such, it makes the composition of mixed credit

Finance ministers this week-end worked out a negotiating mandate for the European Com-mission for when talks start on mission for when talks start o and Development (OECD) in Paris later this month.

concessional finance with ordinary export credits in packages to finance the export of capital goods from the Industrialised countries.

But the Netherlands Government which, with that of West Germany, was voted down on the terms of the negotiation mandate, is considering whether

suggests, may not be appro-priate.

The mandate is in two parts. The first deals with the level of ald in mixed credits.

Paris later this month. at all. For the poorest countries
Mixed credits bring logether the minimum aid level should go up immediately from 25 per cent to 50 per ceot.

For countries in belween these two categories recognised by the OECD, the minimum aid element should he raised from 25 to 30 per cent now and to 35 per cent in May 1987.

packages less costly to countries with a low level of interest rates. This is why West Germany and the Netherlands were

against any change.

As it is, the mandate provides for the discount factor to be worked out on a differential basis, related to movements in

market interest rates. The idea, while appealing to countries like France and Italy. is expected to be opposed in Paris by Switzerland and Japan, a factor which led Dr Onno Ruding, the Dutch Finance 35 per cent in May 1987. Minister, to predict the com-The second part of the man-dale relates to the discount accepted within the OECD.



# THE GATEWAY TO ASIA IS BANGKOK. AND THE KEY

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Moscow's

trade with

West goes

into deficit

By Our Moscow Correspondent

SOVIET TRADE with the West

went in deficit last year, accord-ing to official figures published yesterday. The deficit was largely due to a drop in oil

Overall turnover with the West also declined, from roubles 40.9hn (£38.6bn) in 1984 to roubles 37.8bn in 1885. Imopris

dropped only marginally, hy roubles 37.8bn in 1985. Imports while exports fell sharply from roubles 21.3bn to roubles

Economic experts in Moscow attributed most of the shortfall in exports to last year's drop in the US dollar, the currency

# Baker plan may need earlier increase in World Bank capital

BY STEWART FLEMING IN WASHINGTON

THE RAPID rise in World Bank demand for World Bank loans lending anlicipated under the "Baker Plan" may require an earlier increase in the World Bank's capital than was initially

This is one of the conclusions of a study the bank has prepared on implementing the so-called "Baker Plan." The plan is aimed at speeding economic growth in a group of middleincome developing countries, and was launched by Mr James Baker, US Treasury Secretary. \$11.4bn in 1985.

The study will be on the agenda of the development committee of the World Bank in Washington this week.

Bank officials say they believe that implementing the "Baker Plan" will require a capital increase for the institution.

This is because of the out-Iook for the flow of external said last week that the US still finance to developing countries, believes the World Bank bas including the moderate level of adequate capital resources to commercial bank lending excover the extra \$2hn a year of funds will have to come in the reforms.

The distribution of the conomic state of

But there are already signs that expected.

could be increasing.

The World Bank bas approved a \$350m (£250m) structural reform loan for Argentina, and some officials say that progress is belog made in agreeing a substantial loan for Mexico.

World Bank officials are suggesting that in its financial year ending io June, the Bank will raise its lending to between \$12bn and \$13.5bn—up from

They estimate that the maximum sustainable lending level without a capital increase is \$14hn a year and clearly believe that this level could be approached next year. This, they say, would make a capital increase a matter of greater

urgency. A senior US Treasury official lending envisaged during the three-year time-scale for the

Much depends on the willingness of borrowing countries to
adopt the economic reform programmes which will trigger increased World Bank lending.

The trigger in the came obvious that
demand for bank loans was
increasing more sharply than

West set to block call for new SDR issue

BY PHILIP STEPHENS N WASHINGTON

LEADING industrialised nations are set to block a call from developing countries for a new issue of the International Monetary Fund's Special Drawing Bights (SDBs) ing Rights (SDRs).

The developing countries sup-ported by France and several smaller Western nations, want the SDR issue to boost the reserve holdings of heavilyindehted nations and to ease what they see as a shortage of international liquidity.

In preparations for this week's meeting of the IMF's interim committee, bowever, the US, Japan and West Germany have said they will oppose a new allocation.
The governments of those

countries argue that there is no overall liquidity sbortage and that an SDR issue would sen

East German orders

for Deutsche Babcock Deutsche Babcock won several East German orders, including two for water purification plants, at last month's Lelpzig industrial trade fair, Reuter reports from Oberbausen.
The company would not say
how many orders were recelved or how much they are
worth. Babcock said it has
also won orders for a timber plant and for fittings for non-nuclear power stations. Babcock is 25.02 per cent-owned by the Republic of

#### Manila to ask IMF for loans this week

By Samuel Senoren in Manila

THE GOVERNMENT of President Corazon Aquino will this week formally ask the Inter-national Monetary Fund (IMF) and the World Bank to disburse immediately loans committed to the ousted President Ferdinand Marco's régime which had not been drawn because certain con-

The Philippines has an un-disturbed halance of Special Drawing Rights 212m (£127m) from a loan of SDR 615m negotiated by the government of Mr Marcos in late 1984.

Mrs Aquino's six-week old Government which is in need of cash to finance its operations, also hopes to obtain at least \$100m from the World Bank. Mr Jaime Ongpin, the Finance Minister, said the Agnino government would ask the IMF to release the balance of the to release the halance of the loan even if the original terms

could not be met. One of the key conditions that is proving impossible to achieve concerns the ceiling on the Government's cash budget deficit.

The Qquino Government ex-pects the shortfall to be at least Pesos 20bn (£813m) for 1986, nearly double the Pesos 13hn deficit allowed by the IMF in

Release of the IM Floan is vital hecause without it, the Philippines will not be able to draw on the remaining \$350m balance of the \$925m new money committed by more than 400 international hanks under tbe \$10hn deht restructuring package reached in May 1985. In spite of warnings hy Mrs

Aquino's Government bas decided to borrow more foreign loans to help rebuild the economy which had been mismanaged in the final years of

the Marcos regime.

The economy is projected to grow by between 1.5 and 2.0 per cent this year, compared with a negative growth of 4 per cent in 1985.

Mrs Aquino is to meet Mr Caspar Weinberger, the US De-fence Secretary, in Manila to-day to discuss prospects for increased economic and military aid under the military bases

add under the military bases agreement.

The US Commerce Department land and that the quotas would become permanent if on textiles and clothing from agreed shipment levels could five countries to curb their exprovached the St Vincent Government seeking refuge for Mr Marcos and his family who are now in Hawaii, Our Port of Spain Correspondent reports.

The US Commerce Department land and that the quotas would become permanent if on textiles and clothing from agreed shipment levels could five countries to curb their exports approved legislation last year cutting textile imports, but President Ronald have requested talks with the Reagan vetted it on grounds five countries—Bulgaria, China, the curb would invite trade reports.

# UK hopes dim over E. German deal

BY DAVID SUCHAN IN LONDON AND LESUE COLITY IN BERLIN

isation equipment is "well above" a rival West German

chief executive, said late last week: "We are in the midst of final detailed negotiations, and it would be inappropriate to comment on any aspect of these contract negotiations at this time." this time."

But Davy officials say their patented Wellman-Lord desulphurisation process has cost-saving and eovironmental advantages, which should command a price premium.

This follows an East German claim that Davy Corporation's as an example of the difficulty many UK companies were having plant with desulphurisation equipment is "" and the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other Western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other Western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in matching other western in the cited the higher Davy bid as an example of the difficulty many UK companies were having in the cited the higher Davy bid as an example of the difficulty many UK companies were having in the cited the higher Davy bid as an example of the difficulty many UK companies were having in the cited the higher Davy bid as an example of the difficulty many UK companies were having in the cited the higher Davy bid as an example of the difficulty many UK companies were have been difficulty as a superior with the cited the higher Davy bid as an example of the difficulty many UK companies were have been difficulty as a superior with the cited the higher Davy bid as an example of the difficulty many UK companies were have been difficulty as a superior with the cited the higher Davy bid as an example of the difficulty many bid as a superior with the cited the higher Davy bid as an example of the difficulty have been difficulty below the cited the higher Davy bid as a superior with the cited the higher Davy bid as a superior with companies in competing for East German business.

Dr Graham Raper, Davy's had for a long time run a trade thief executive, said late last surplus with Britain, which reached a record £140m last

But the East Berlin government was doubling the amount of contracts on which it invited UK companies to bid, from around £200m-worth last year to some £400m this year. The trade imbalance would only lessen if Davy and other UK companies offered better terms.

The UK Department of Trade

and Industry said the Rum- have worked long and hard and East Germany was serious desire to diversify its Western trade away from a heavy con-

centration on West Germany. If Davy were turned down, it was even suggested that UK ministers "might want to revise their attitude" to East Germany, with fewer political as well as economic contacts.

UK officials said Davy had UK officials said Davy had worked hard for the Berlin deal, the signing of which was first scheduled for last month's Lelpzig trade fair in the presence of Lord Lucas, a junior UK trade minister, then for a subsequent occasion, only to be cancelled at the last minister. minute.

SHIPPING REPORT

IT WAS a sluggish week for

world shipping, hat further signs emerged that some mar-

kets may be set for an upturn.
This time, UK shiphroker

Lambert Brothers takes the view that prospects for sea-horne trade and shipping had measurably improved. A week

ago. R S Platou of Norway said that the long and painful period

of restructuring could be end-

be set for upturn'

melsburg contract decision not got there in the end," said would be a sign of whether a UK trade official GKN won its frequently-stated

-as only half the story.

they claimed, had the advantage over other sulphur-cleaning systems of not requiring trucks daily to ferry limestone to the plant; and gypsum away from the plant. It also produced industrially-usable sulphur dioxide as a hy-product.

The road to East German con-tracts "is littered with the corpses of UK companies who

Container market 'may

BY ANDREW FISHER, SHIPPING CORRESPONDENT

the last major UK deal in East Germany in 1982 with an £80m truck forge contract.

Davy and the DTI described price—on which the East Germans were clearly trying to beat the UK company down further

The Wellman-Lord process,

East German officials had been shown these advantages at some of the five plants in
Austria and West Germany
where Davy is installing its
Wellman-Lord process.

More than 45 per cent of the tanker fleet consists of ships

which will be 15 or more years

old in the next five years, in which case many will become increasingly uneconomical.

The tanker fleet would be reduced by a further 7-10 per cent in 1986 as a result of scrapping and low investment.

bringing the market closer to

Lev Sychrava Associates, the

consultants who helped produce

the Lambert report, said overall

in which oil is traded in the spot markets, against the D-mark. The rise in the West German currency and the yen also made imports, mostly from Japan and Western Europe, more expen-

With more than 60 per cent of Soviet foreign-currency earnings coming from oll, the impact of currency fluctuations on export revenues was signifi-

on export revenues was significant, the experts said.

But they added that the drastic effect on Soviet trade from the drop in world oil prices would only start to be seen in the results for the first quarter of 1986. The decline is likely to slow efforts by Mr Mikhail Gorbochev, the Kremlin

economy. West Germany continued to be the Soviet Union's top West-ern trader, despite a small drop in 1985, although Mr Martin Bangemann, West Germany's Economics Minister, has recently pledged to reverse the

leader, to revitalise

Trade with Britain, the US. France and Italy also declined, though Finland and Japan recorded small rises.

Soviet business with Comecoo increased sharply from roubles 72.8bn to roubles 77.7bn, with exports continuing to outwelch imports.

Imports from Argentina rose by more than 10 per cent, mainly because of increased grain and other agricultural sales. Business with India maintained its steady rise, while trade with China almost doubled, from roubles 980m to ronbles 1.6bn.

#### BRITAIN'S hopes of clinching of West Germany had offered its first major contract in East an alternative sulphur-cleaning Germany for several years, and process for the Rummelsburg so narrowing a chronic trade plant at a "considerably lower

plant at a "considerably lower price" of £35m.

East Germany, be admitted,

A senior East German official he said. in London said Mannesmann The U

#### **Bulgaria to stay cautious** on foreign borrowing

BY PATRICK BLUM IN SOFIA

BULGARIA will remain tions on high technology cautious in its foreign borrow-exports to countries of the during the next five years. Mr Ivan Dragnevski, chair-man of the Bulgarian Foreign Trade Bank, said Bulgaria was national money markets by re-unlikely to return to the inter- suming borrowing last year national money markets for after an absence of several loans before the autumn and years. possibly not before next year.

Bulgaria will continue to strive to keep its external debt in hard currency to a minimum, he said, I certainly cannot see foreign trade bank going to the Euromarket at least until September and I even doubt that we'll go to the market before the end of the year," he added. Bulgaria intends to increase its trade and its imports sharply

ing despite heavy investment East bloc are expected to plans to modernise industry encourage a greater integration during the next five years. between the Comecon members · Bulgaria surprised the inter-Last year's horrowing under

taken in the summer and autumn were for three major loans totalling \$470m (£335m). The country's foreign debt is a state secret but it is known to be the lowest among Comecon countries and Bulgaria's good

standing has enabled it to bor row on good terms. A new "economic bank" is currently being set up to finance large companies which will take some of the functions of the

in the coming five years, especially in advanced technologies, electronics and machinery.

But Western trade restrictions of the functions of Meanwhile, Mr Dragnevski said the Foreign Trade Bank

#### US seeks textile talks

The US Commerce Department land-and that the quotas

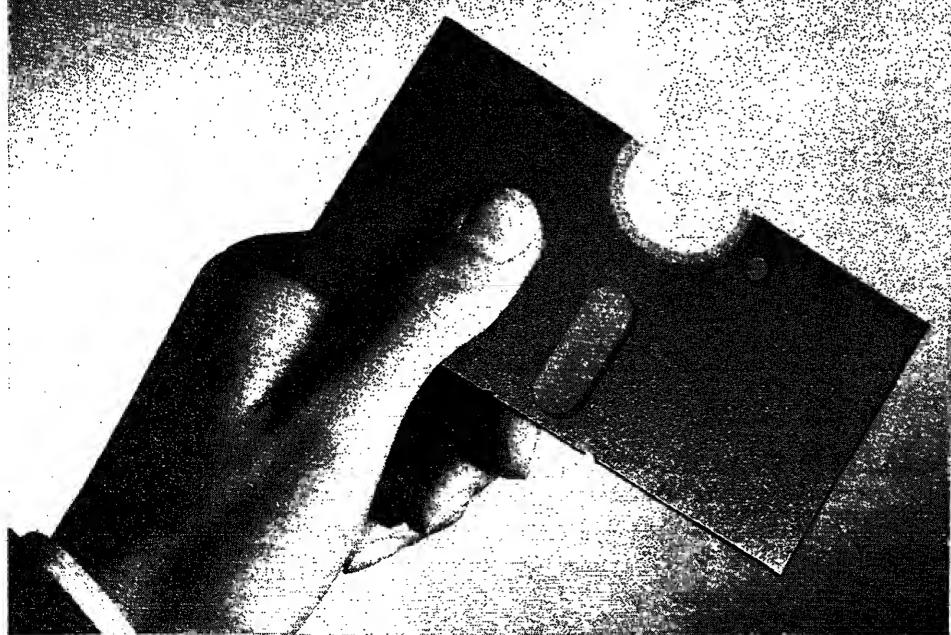
# ing. Lambert believes increased demand for ships would be concentrated in the container concentrated in the container world trade volume should inand other general and specialised cargo sectors. Demand for tankers should also rise slightly, for the first time in many years. The hadden trade volume should increase by 4.6 per cent, against 3.1 per cent last year, with seaborne trade up by 1.3 per cent, against a fall of 0.7 per cent.

balance:

World Economic Indicators INDUSTRIAL PRODUCTION

					over.
	Feb. 86	Jan. 86	Dec. 85	Feb. 85	year
US	115.7	116.5	116.3	113.9	+1.6
	Jan. 86	Dec. 85	Nov. 85	jan. 85	•
UK	109.4	107.7	170.3	106.1	+3.1
W. Germany	106.3	103.7	107.9	103.1	+3.1
Japan	121.3	722.0	121.3	128.4	+0.8
	Dec. 85	Nov. 85	Oct. 85	Dec. 84	
France .	101.5	104.1	102.0	99.4	+2.1
Italy	97.A	78.5	96.0	98.1	-0.7
Netherlands	27.5	107.2	102.4	78.7	+0.6
	*	Source	(except US,	UK, Japan):	Eurostat

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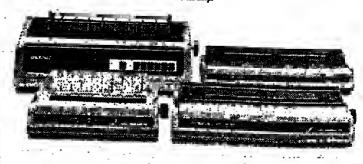
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Financial Times Monday April 7 1986

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# **UK Provident** to clarify finance position

BY ERIC SHORT

stitution, a long established mutual ambitious investments and at the life company, is expected this week same time greatly increased its new to make a statement setting out its financial position.

The move follows mounting spec-

ulation that the £1.7bn company, based in Salisbury, 90 miles west of London, is in difficulties. Company officials yesterday

refused to comment on renewed reports of problems or on any other aspect of the company's financial

UK Provident is a traditional life company with about 300,000 policy-bolders, transacting mainly withprofits business. It made a successful entry to the unit-linked market last autumn, selling more than £100m (\$147m) of linked-life bonds

on launch day. Its main with profits business involves pooling investments and passing on the distributable surplus to policybolders as bonus additions

to their guaranteed benefits. This increasingly competitive business could be a potential source margins. The company declared boof trouble for any life company if it nus rates at the beginning of this

THE United Kingdom Provident In-than currently earned, undertaken

New life business costs money to put on the books and expenses are not usually recouped for two or three years. UK Provident has been among

the top performers for with-profit Insurance legislation puts strict

controls on the assets covering a life company's liabilities. In addition a company's appointed actuary bas to comment in his annual valu-Mr Ron Bignell, UK Provident's

appointed actuary since the begin-Thirty miles away near Camborne, the mood is only slightly less grim at the Wheal Jane, South Crofty and Pendarves mines, owned by Carnon Consolidated, a subsidiary of Rio Tipto-Zing The ning of the year, said yesterday that the 1984 valuation bad not been queried by the Department of Trade and Industry except in certain aspects of presentation.

He said the company had no trouhas, for example, used reserves to year that were unchanged from enable it to distribute more surplus those of the previous year

Cornish tin miners out to show their mettle ment, particularly one vociferously committed to non-interventionist MINERS of Geevor Tin Mines, in

which stopped production on Friday, know that they may never go back to work again. But they are determined to fight to the end for the government aid without which the mine cannot survive. economic policies, step in and save this industry? Geevor and Carnon are both vic-

They heard Mr David Harris,

their Tory MP, break the news that

Mrs Margaret Thatcher, Prime Minister, had virtually ruled out

any prospects of short-term aid to

keep Geevor open while detailed

proposals for its long-term future are considered. He said: This most

certainly bas to be one of the sad-

dest days in our lives. But we bave not lost yet." A voice shouted back:

Tell us what to do, Mr Harris. Tell

subsidiary of Rio Tinto-Zinc. The

1,150 miners are still working, but

they fear the worst. Mr Brian Cal-ver, managing director, says: "With-out government aid there's no Cor-

nish tin industry."

tims of the international tin crisis caused by the default last October of the International Tin Council (ITC) which ran an inter-govern-The mothers and wives of some ment price support pact. In the last six months tin prices have fallen from above £8,500 a tonne to under of the 358 miners wept as they watched the the last production shift come to the surface. In the £4,000 - far below the production costs of the Cornish miners. evening, workers and their families packed the grey granite town hall in nearby St. Just, not far from

The price collapse has jed dised a steady recovery in the Cornish tin mining over the past 10 years, during which production has risen by more than 50 per cent to more than tonnes last year - the highest total since 1918.

The House of Commons Select Committee on Trade and Industry, which held an inquiry into the tin crisis, had no doubts that the UK ITC shared the blame for its default and so had a moral duty to support Cornwall. It argued that the industry deserved not only help with funding its capital projects but also immediate subsidies to tide it over a period of abnormally low prices. However, Mrs Thatcher's letter to Mr Harris said that, while the Department of Trade and Industry would consider grants towards 'viable projects," it was "very unlike-

Geevor's fundamental problem is and Carnon, the current tin price makes it difficult - on financial grounds alone - to make a convincing case for aid. At Geevor, a steady stream of recent investments including a new underground sloping shaft opened in 1980, have raised output and lowered costs to about £8,500 a tonne in the first half of the

Stefan Wagstyl reports on the crisis that threatens to destroy an industry

N CORNISH TIN

The company is epplying for aid towards £16m of investments which would cut total costs to some £6,000 a tonne in about five years. On top of this it wants about £6m to meet running costs while the projects are

financial year which ended last

ing into its treatment plants comes from underground - the rest is low-grade material from old waste dumps. The chief part of the capital spending plan would involve re-opening an old mine at nearby Botallack - a proposal which is not free from financial risk.

Geevor is applying for aid under the 1982 Industrial Development Act, under which Cornwall qualified for regional selective assistance. Schemes can get capital grants of up to 40 per cent if they create or maintain employment or if they are "in the national interest" – a vague criterion which gives ministers some flexibility. But the rules also

say that schemes must be "viable." Like Geevor, Carnon has invested heavily. RTZ has put some £40m into the company since it bought the Wheal Jane mine in 1979. Carnon will be asking for help towards a capital investment of some £15m. The money would be largely spent at South Crofty, helping to cut overall company costs from just over

open, it must fund its losses in the

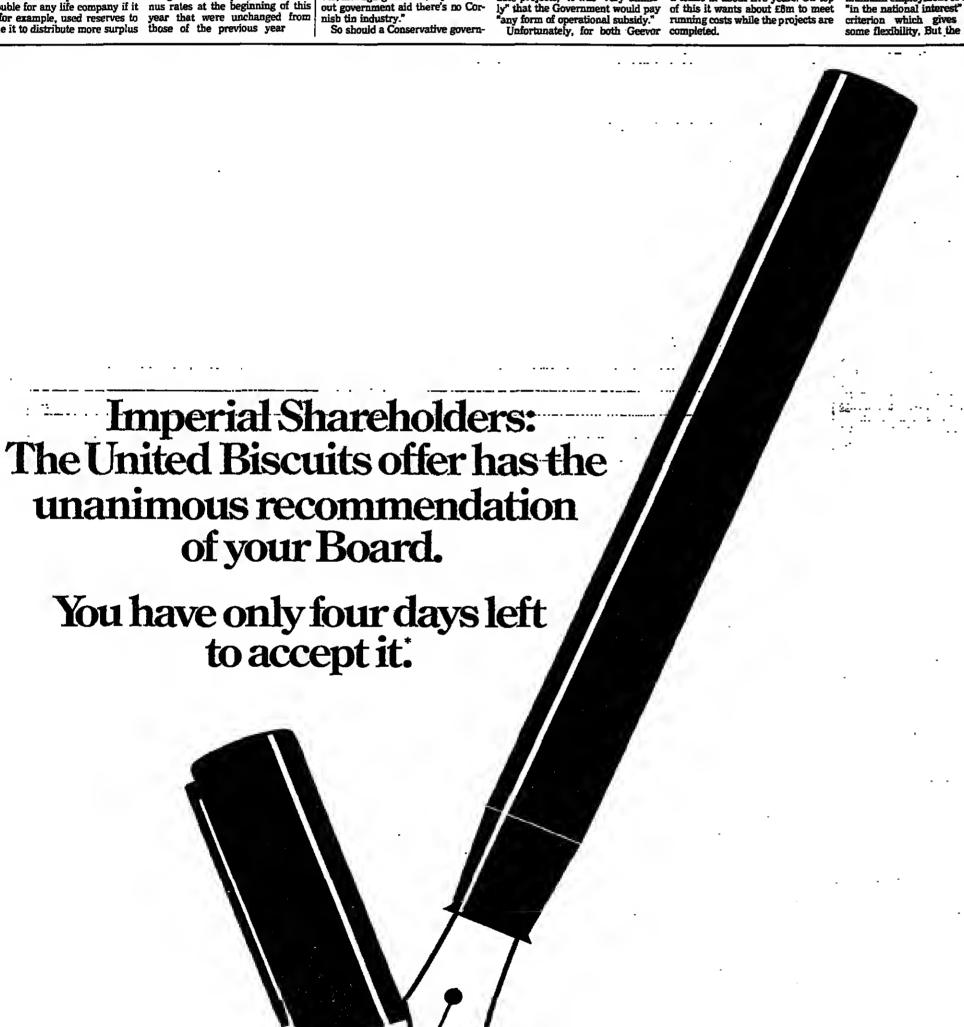
cial to the assessment of both companies. Analysts do expect a recovery as the stocks accumulated by the ITC are sold off, but it will be a very slow affair, especially if other governments also support their tin industries. Whitehall economists, who will judge the Cornish aid schemes, do not quarrel with forecasts of an average £4,500 a tonne for the next three years followed by a slow increase to about £7,000 a tonne in the mid-1990s.

The Cornish industry's supporters argue against taking a shortterm view, saying that the tin reserves a strategic national asset which should not be wasted.

Those arguing against govern-ment intervention point out that the industry has been able to finance its recent recovery only with the help of the ITCs price support ac-

ready bave shut. The Government will inevitable have to look beyond the financial considerations. Of the two companies, Carnon produces more tin at lower cost than Geevor. Its case therefore looks stronger. But could £7,000 a tonne to some £5,500 in three or four years. However, if Carnon is to remain open, it must fund its losses in the

Geevor has enough money to immediate future - with production keep its plant in running order for a running at some 5,000 tonnes a month and then will have to considyear, the company could lose £15m er closing for good. Carnon has big-in a year if costs and prices stayed ger resources - but it too cannot



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"Uples - the offer is the a uncombined a territory plane es-

# TUC leader heckled at Murdoch protest

BY HELEN HAGUE, LABOUR STAFF

DEMONSTRATORS booed and gress (TUC), yesterday when he printers protesting outside the said serious consideration should plant. he given to the offer by Mr Rupert Murdoch, head of News Interna- officers are giving greater priority tional, to give the labour movement to making sure that lorries deliverthe former print works of the Times ing News International's newspa-newspaper in Gray's Inn Road, pers have freedom of movement

the offer might only be acceptable volved in the dispute. as part of a wider settlement of the

among labour movement leaders addressing a rally in Trafalgar Square called by the print unions in advance of a march yesterday evening to the News International printing plant at Wapping in east London.

He was heckled continually by elements of the crowd, which in cluded large contingents of mine-

cluded large contingents of mine-workers from Yorkshire and South wates, although he said Mr Mur-doch's offer was inadequate in that the primary concern was for the workers not print works."

Meanwhile, the widespread use by police of roadblocks near Mr Murdoch's Wapping plant, where residents are asked to identify themselves, is "wrong in principle and probably unlawful," the Nation-al Council for Civil Liberties claims in a report published today. The report says that roadblocks

and accompanying diversions of traffic and pedestrians in the vicinity of News International's plant are y of News International's plant are nalists, told the rally be was disapunnecessary and unacceptable infringements of freedon of movement" and should he stopped.

jeered Mr Norman Willis, general part of the policing strategy arising secretary of the Trades Union Con-

The report concludes that police than to protecting the same rights However, Mr Willis made it clear of local residents who are not in-

At yesterday's rally, Mr Tony dispute at Mr Murdoch's newspaper publins, general secretary of the National Graphical Association (NGA), said that the dispute could

Gray's Inn Road plant as part of an eventual deal although they were

Miss Brenda Dean, general secretary of the Sogat '82 print union, said: "Any labour newspaper could only be started on principle. It would not be a principle to accept the proposal as a resolution of this

Mr Harry Conroy, general secre-tary of the National Union of Jourworking at Wapping, in defiance of an instruction to strike.

#### Thatcher emphasises support for Joseph

BY JOHN HUNT

that he intends to leave the House letter. Sir Keith, she believed, had of Commons at the next general done more to raise standards of edelection. The Government is under ucation than any previous Secreincreasing pressure on the education front and controversy has been "As such, he has my total support for Education, strongly hinting that in improving our education system Government is considering greater central control over British and the control over Britis

Mrs Thatcher's remarks came in reply to a letter from Mr Giles Radice, the Labour Party's education spokesman, who had called on her spokesman, who had called the to replace Sir Keith on the grounds that he no longer commanded the respect of parents or local education.

Mr Radice said yesterday that his original letter he had challenged Mrs Thatcher to disown the vouch-

Mr Radice interpreted her reply to mean that she had no intention of removing Sir Keith in the near

the Prime Minister, yesterday emphasised her "total support" for Sir Keith Joseph following speculation that he might soon he moved from his position as Education Secretary. that he might soon he moved from his position as Education Secretary.

Sir Keith has already announced used about Sir Keith in Mr Radice's

intensified by last week's speech by as well as the admiration of ev-Mr Chris Patten, Minister of State eryone who is seriously interested

spending per pupil under the Con-servative Government but says that high standards will not be achieved simply by spending taxpayers

er system proposals and to reaffirm her belief in the state education system. He said that in her reply she had not responded to either of

# Labour lead 'increases'

LATEST PUBLIC opinion polls on still gives a high number of voters the by-election st Fulham, west undecided - 25 per cent altogether London, which takes place on but rising to 30 per cent among Thursday, show Labour increasing council house tenants.

The Observer poll suggests that ond place and the Social Democrat-

The Harris poll in the Sunday Ob-chances of victory.

Server newspaper gives Labour 45

The by election is caused by the per cent, Conservatives 33 per cent death of the Tory MP for Fulham and SDP 20 per cent.

ic Party (SDP)/Liberal Alliance well over the activities of supporters of behind, in third place, John Hunt Militant Tendency - the Market

who held the seat with a majority of Significantly, however, the poll 4,789 at the last general election.

### **Employers** aim to ease staff relocation

By Vanora Bennett

THE UK employers' organisation, the Confederation of British Industry (CBI), today launches Europe's first employee relocation council to help iron out problems faced by employers moving staff around the UK

Each year, about 250,000 people in the UK who have changed their jobs move house. The average cost of each move is £10,000 although it can be as much as £50,000. Employers spend at least £250m on removal costs, providing bridging loans for buying homes and other ex-

Many companies have no clear idea of the cost of relocating staff, according to a study by Merrill Lynch Relocation Management

International Almost one in five companies admitted not knowing how much they spent on moving staff. Only one in three accepted it was more than

The council will be a clearing house where the growing number of British-based companies which relocate employees can pool their experience on costs:

The council aims to encourage the labour mobility vital for a growing company and dynamic econo-

Member companies will be able to obtain advice on relocation from a panel of CBI and other experts. They will also be able to contact each other through the council's di-

est

The council will also campaign for changes in legislation on national insurance and where tax prob-

At present, employees are subject to tax on all relocation payments but, in practice, the Inland Revenue says "reasonable" removal expenses are exempt from taxation. However, because local tax inspectors decide what are "reasonable" expenses, some employees can be treated less generously than others. Another key issue to be ex-

amined by the council will be the gap between house prices in the north of the UK and in the south. Some employees in the north have turned down jobs in the south be-cause they cannot afford to move.

#### Theft claims slow down

in the UK experienced the lowest increase in theft claims payments for several years, according to figissued over the weekend by the Association of British Insurers,

# Britain prepares bid for long-term stake in fast reactor club

THE PUBLIC inquiry into nuclear industry plans for a £200m plant to reprocess spent nuclear fuel at Dounreay in the far north of Scotland opens today at Thurso Town Hall, 14 km from the nuclear site. The inquiry, originally scheduled for mid-February, was postponed by Mr Alexander Bell who, as re-

porter, is the Scottish equivalent of the inspector appointed to preside over public inquiries in England and Wales.

At a preliminary hearing in Thur-so last December Mr Bell, responding to critics of the detailed environmental assessment submitted by the proposers of the project, asked how it was proposed to transport radioactive fuel to the plant.

The proposers are the UK Atomic Energy Authority (UKAEA), which operates the Dounreay Nuclear Establishment, and British Nuclear Fuels, which would design and build the plant. They are seeking outline planning permission for a plant which is not expected to be ordered before the mid-1990s, for ser-

vice early in the next century.
Witnesses for them will include Mr Harry Allardice, project director, a senior executive of the UKA-EA. His brief will be prepared by Mr Peter Davies, inquiry team leader for the European demonstration fast reactor reprocessing plant (EDRP), and main author of the asent of the environmental

Among the opponents will be the Orkneys Island Council. Several environmental organisations, includ-ing Greenpeace and Friends of the Earth, although opposed to the project, have said they will boycott the inquiry because it is being restricted to local issues.

The Government has stipulated that the inquiry shall deal only with local issues raised by the proposal and shall not investigate national policy on the plutonium-fuelled fast reactor, development of which is centred at Dounreay.

The core of this policy is that Britain should collaborate in a longterm development programme with five other nations - Belgium, France, Italy, the Netherlands and West Germany - in the European fast reactor club. This club aims to develop commercial fast reactor designs and associated fuel services.

Present plans of the Paris based club call for three more "demon-strator" reactions of the order of 1,500 MW output, and a reprocess ing plant to recycle their fuel. ..

The economics of the fast reactor depend largely on the speed and efficiency with which spent fuel can be recycled and returned as fresh

David Fishlock explains background develop a plant reprocess spent nuclear finel

Britain, which expects to build the last of the series of demonstrators, believes it has a strong case in the club for hosting the reprocessprototype fast reactor at Dounreay is already regularly reprocessed on the site and its plutonium returned to the reactor as fresh fuel.

More than 7 tonnes of spent fuel has been reprocessed, and more than 1.3 tonnes of plutonium has been recycled as fresh fuel. No other Western country claims this

The European club plans to scale up the operation to at least 50 tonnes a year. At present club members can account for a total poten tial reprocessing capacity for fast reactor fuel of about 15 tonnes, scattered among four countries.

The British nuclear industry with government backing, is seek ing outline planning permis this stage in order to remain com-petitively placed - with the French n particular - when the club invites

The case for EDRP is set out in a 117-page document which describe the proposed process as "almost identical" to the one practised at Dounreay since 1979. The plant is designed to treat between 60 and 80 tonnes of fuel a year in the form of up to 500 fuel assemblies of differ

By chemical industry standards the process is simply because it operates at low temperatures and atmospheric pressure. EDRP is envisaged as occupying a building about 140 m by 90 m with a 60 m stack.

will arrive in 90-tonne flasks similar to those already used to trans-port spent auclear fuel by land and

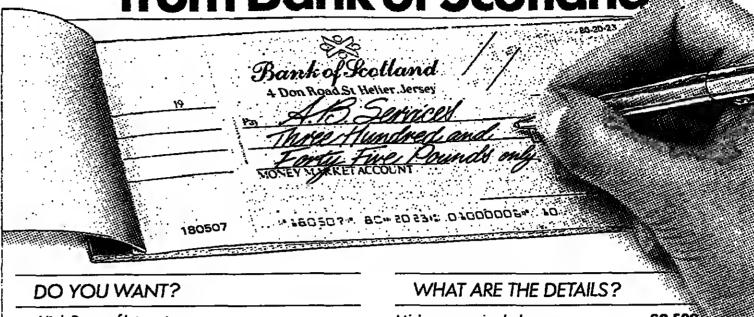
The proposers say they will produce evidence showing that there are several suitable ports to receive the flasks. Their preferences are for one of three ports in the Cromarty Firth - Alness, Invergordon or Nigg - or for Scrabster near Thurso.

The decision to go ahead with Channel tunnel also opens the option of a rail link from each of the demonstrators to Dounreay by the time EDRP is required.

writes Eric Short.

The figures showed that theft claim payments in 1985 rose by 4.4 per cent to £334.5m. In previous years claim payments have been rising by 20 and 30 per cent

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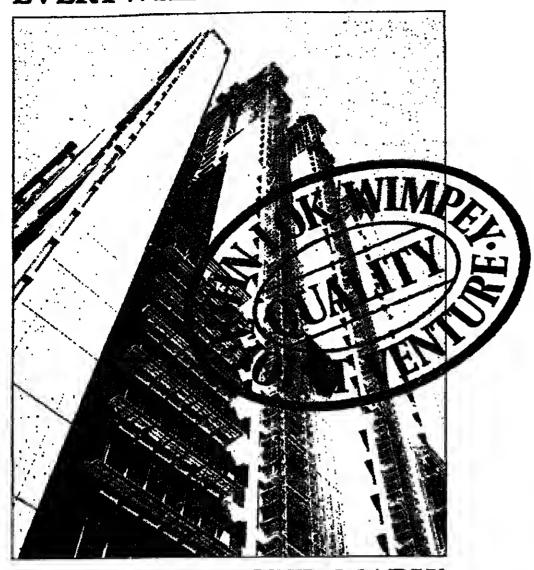


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# Tough talk opens doors for UK banks in Tokyo

THE ROAD to Tokyo is still a tortustrates. Set the first the process which is nance industry, writes shaking down the world finance industry into a few global institutions able to perform virtually every kind Correspondent. of service anywhere.

The arrangement, announced in Tokyo after a week of talks be-ment powers to block foreigners tween Mr Michael Howard, a minisnster Bank group. In return, the will only be granted as and when UK will consider an application for things bappen in Tokyo).

a banking licence from Nomura Even so, the way forward still has

The Bank of England was still trated are UK banks by the obstawould have been bard for the UK to ence shareholder. grant Nomura's wish to be a UK

ous one for foreign bankers, as last. The reciprocal granting of week's hard-fought deal between banking and securities li-the UK and Japan over hanking cences is part of a major and securities licences demon-strates. But the horse-trading has shakeout of the world fi-

through a reciprocal access clause. ter in the Department of Trade, and top officials in the Japanese Ministalks said at the weekend: "The potry of Finance (MoF), will enable litical will is there now." It cannot two UK banks to apply for licences be long before other UK banks get to deal in securities: Barings and County Bank, the merchant banking subsidiary of the National West-licences in London (though these licences and licences and when

Securities, Japan's largest broking hurdles because Japanese law does ouse. not allow banks to own both a bank-The very fact that the UK has on-ing and a securities branch. Natly conceded a one-for-two deal is an West bas got round this by follow-indication of the tough line foreigning a trail blazed by Deutsche Bank ers are taking in order to break into last year which enables banks to Japan's notoriously impenetrable get securities licences through partowned subsidiaries.

It will apply through its Hong maintaining last weak that the deal Kong-based County Asia Securities was not a matter of reciprocity but into which it has brought in two of ensuring that Nomura comes un-der proper banking supervision be-Swire Group. These will each have fore it gets its licence. But so frus- 25 per cent of the stock, but Nat-West will be effective operator and cles before them in Japan that it controller of the company as prefer-

Although this structure was ar bank without exacting something in rived at with the belp of the MoF. return. Indeed, the Financial Services Bill currently going through Parliament will give the Governgenuine partnership, not just a ficrived at with the belp of the MoF.

tion to get round Japanese law. The partners will share fully in County Asia's profits and losses, and BPs stake will be held through BP Finance International, the subsidiary set up in 1984 as a vehicle for the oil

company's new in-house bank.

The investment by the newcomers will result in more than a doubling of County Asia's resources.
The Tokyo operation will be capitalised above the legally required minimum of Y3bn (\$17m).

The other UK clearers who want Japanese licences, Barclays, Mid-land and Lloyds are believed to have found partners for similar deals. So have other US and European banks, making for a long queue at the MoF's doors.

Barings do not have a bank branch in Japan, so the problem does not arise for them.

All this toil and sweat is neces sary for any bank with aspirations to be counted among the select band of global financial institutions. Apart from qualifying for much cheaper commissions on share trades cleared through the Tokyo Stock Exchange, licensed securities branches can deal with a broader range of Japanese institutional investors and underwrite a greater volume of securities issues - all useful attributes in the world's second largest capital market.

The Japanese brokerage houses are being impelled by similar desires to apply for UK banking licences, since they can achieve in London what they cannot on their bome ground: combine banking and securities under one roof.

World banking, Page 12

# World trade forecast to grow 5% this year

BY GEORGE GRAHAM

WORLD TRADE will surge this oil developing nations by 5.5 per year as a result of falling oil prices, cent.

the Economist Intelligence Unit Lower oil prices will improve eco-

The volume of trade between non-communist countries will grow by nearly 5 per cent in 1986, it says, I percentage point more than it preber, and 2 percentage points more than in 1985. Members of the Organisation of

Petroleum Exporting Countries (Opec) will cut their imports by 10 (Opec) will cut their imports by 10 per cent this year - an overall drop of 30 per cent in four years, the EIU cent in the value of the dollar this year, with declines of 24 per cent offset by stronger import demand from Europe and the Third World.

Import growth of 8.5 per cent is ready taken place. The pound, meanwhile will fall by 14.5 per cent in 15.5 per cent is ready taken place. The pound, meanwhile will fall by 14.5 per cent in 15.5 per cent in 15.5 per cent is ready taken place.

West Germany will also lead the sponding to an average export price way in export growth, the EIU says, of \$15. with an advance of 6.5 per cent in EIU World Trade Forecast, The

(EIU) claims in its latest nomic prospects, and the EIU has forecast. Organisation for Economic Cooperation and Development up by 0.5 percentage point to 3 per cent. Japanese growth will stay above 4 dicted in its last forecast in Novem- per cent for the third successive year while West German growth will rise to 3.5 per cent, a full percentage point higher than in 1985. US growth should also recover

Italy raising imports by 7 per cent against the D-Mark, but gain 11.5 and the US by 8 per cent. Non-Opec developing countries are expected The unit's forecasts are based on

to raise their imports by 8.3 per an average import cost for crude oil of \$17.50 a barrel for the year, corre-

1986. The US is expected to raise Economist Publications Ltd. exports by 6 per cent, and the non-

## Companies need greater freedom, say directors

BY JOHN MOORE, CITY CORRESPONDENT

CHANGES in existing legislation dustry investigation into the implishould be made in order to allow companies more freedom, the Institute of Directors has told the Gov- out by Dr D.D. Prentice of Pem-

There should be maximum free-"There should be maximum free-dom for a company to decide what business it does and how it does it."

In a paper submitted to the Trade
Department's review, Mr Andrew
Hutchinson, the institute's principal the institute has said in a submission to a government investiga-tion into possible changes in compa-

It argues that the removal of the "ultra vires" rule noder existing legislation would make commercial dealings between companies much easier and probably safer. The ultra vires doctrine was in-

troduced in the 19th century and limits company activities to the definition of a company's objects as set out in its memorandum of associa-

A Department of Trade and In- memorandum of association.

cations of the abolition of the doc-trine of ultra vires is being carried broke College, Oxford.

research executive, lists three main reasons for the abolition of theultra vires rule. He says it does not pro-tect creditors and can sometimes work to their disadvantage; it can protect shareholders, but there are better ways of doing this; and it makes a great deal of unnecessary

work for companies. He says that the rule can actually work to the detriment of creditors, by providing companies with the opportunity to wriggle out of obliga-tions which do not come within the company's objects as set out in its

#### Audio tape makers ready for legal fight over levy

BRITISH TAPE manufacturers are the Government would be intervenaudio tapes, writes Raymond Snoddy.

Announcement of such a levy is further levy in the UK.

expected in a White Paper (policy document) on copyright reform due

Hobbs, chairman of the audio and video tape, believes such

sate rights owners for the unauthorised taping of their music.

The association argues that by forcing the tape industry to make payments to the recording industry

considering taking legal action against the Government if it decides to introduce a levy on blank EEC countries because tape levied in one EEC country would face a

According to Mr Christopher Hobbs, chairman of the association, to be published later this month. a scheme already introduced in the Tape Manufacturers Group, which represents producers of an administrative "nightmare" and the tape market has been undera levy could be in breach of EEC mined by the smuggling into the country of tapes free of levy.

The levy, possibly 10 per cent of the retail price of a blank audio cassette, would be intended to compensate a process of the retail price of a blank audio cassette, would be intended to compensate a process of the save who save who save who save the save who sav he says. We could take similar ac-tion in the UK, but first we'll have to wait for the White Paper to see if the Government is determined to press ahead with this unreasonable

# **Exposing** the film industry's

Since leaving Goldcrest Mr Gavin, through his small compa-ny Gavin Films has been putting past two years he has almost single-handedly raised \$14.15m in pre-sales and equity financing for seven films with budgets to-talling \$28.6m.

"In 1987 there is going to be a shortage of product which means an opportunity for the indepen-dents," says Mr Gavin, a former motor racing journalist who backed into the film industry al-most by accident when be wrote the narration for John Frankenheimer's Grand Prix.

Films he has helped raise fi-nance for include Personal Services, based on the true story of a London brothel situated in a condon brothel simated in a quiet suburban steet, now beginning principal photography, and Hnt, a science fiction movie due to begin filming in September.

Mr Gavin, who has worked with Lord Grade as director of sales for VIC Willer Little 18

The problem is that per

His method of raising olien up to 50 per cent of the cost of a film through pre-selling of rights not only provides money to make a picture. It also, Mr Gavin says, indicates the marketplace thinks "you may be on the right track."
He hopes that his cantious approach to raising finance for the British film industry might attract some equity investment from the City to allow Gavin Films to expand. But what is really successful I am being without any capital base whatsoever,"

# bright side

By Raymond Snoddy

THE BRITISH film industry is very much alive and well, and it is a great shame that people are only locusing on the failures of Goldcrest," says Mr Bill Gavin, Mr Gavin is not just another

optimist trying to talk the film industry out of recession after the commercial troubles of Revohation, in the film which cost Goldcrest £19m and flopped in the US. He is the former Goldcrest director of distribution and marketing and was involved in raising finance for such successes as Local Hero and The Killing Fields.

the original Goldcrest financial concept into effect - raising as much money as possible through the pre-selling of distribution rights to minimise risk. In the

Gavin Films is at the moment involved in 16 film projects - seven in development, two in pre-production, two in production, three in post-production and two finished productions. The immediate future for the

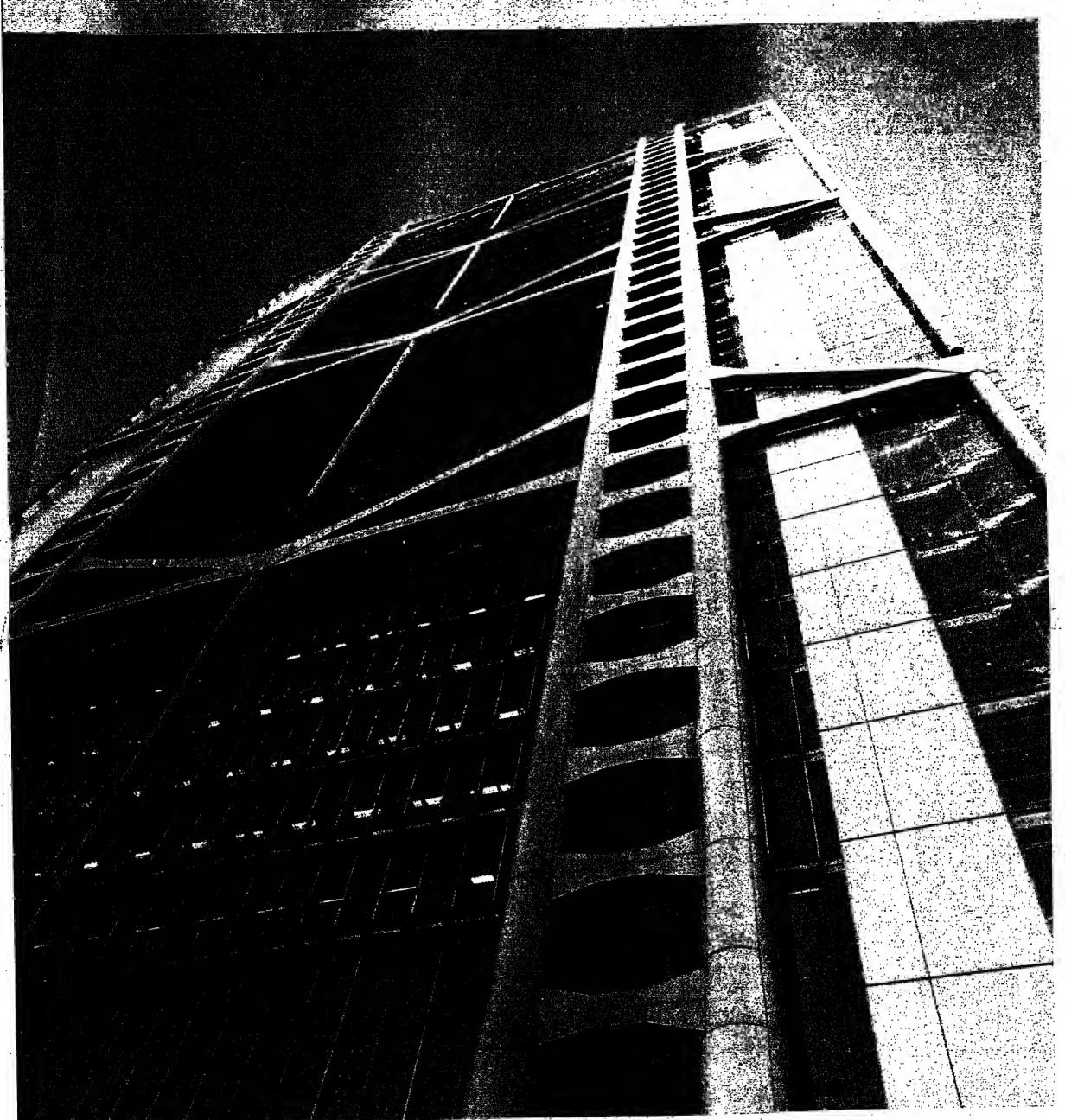
British film industry looks rather good, he believes, because the major US studios have very few pictures under way at the

sales for ITC Films International, rejects the usual complaint of film producers that Britain's financial institutions do not understand the film industry.

"The problem is that people who continue to address the City from our industry don't understand how the industry works finacially," he says. He has seen documents sent to prospective backers which were "absolute

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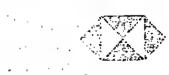
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looking to the next era of expansion. The new headquarters building — a masterpiece not only of modern architecture but also of banking technology — is a statement of the Bank's commitment to the future of Hong Kong, its people and the Bank's own leadership in international finance.

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Public Address

and

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THE FRONTS of television tubes are getting a hit flatter and a hit squarer, even if they are still neither flat nor square.
The change is costing the world's tube manufacturers a fortune, but go into a shop and compare the televisions with the new tubes-generally known as FST-with conventional ones and you will not be bowled over hy any enormous differences.

Philips, the Dutch electricals group which makes half the TV tuhes huilt in Europe, is spending £175m converting its plants worldwide to FST. Already late into the arcna. Philips cannot afford to be left behiod as its main Japanese rivals like Toshiha, Matsushita and Hitachi rush ahead with FST.

Even if the difference be-

tween FST and conventional tubes is not enormous, that rush has been spurred by the set manufacturers' desire to enhance the hasic TV and get higher prices for a product which for years has seen its which for years has seen its value fall in real terms. Within two years most new sels are expected to have FST tubes, with the conventional "bug-eyed" ones heing sold as

with the conventional "bug-eyed" ones heing sold as economy models. It is far from clear, however, whether this gamble will pay off financially, because the consumer may resist paying the premium for FST. The claimed advantages include a wider viewing angle, fewer reflections and a more pleasing picture. Nevertheless, Which? magazine recently said it did not think FST sets were worth the extra

money.

The tube is the most expensive single component in a TV more to make than a conventional tuhe. In addition to the extra capital costs. FSTs require more glass, more precision manufacture and lake longer to

and ITT-face intense rom

petition from much larger Japanese suppliers and very

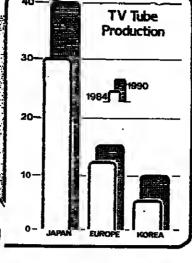
aggressive Korean opposition. Enropean tube plants tend

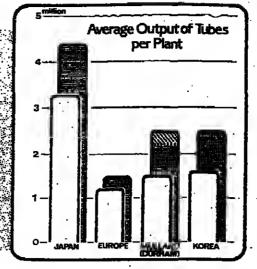
to he less than half the size of Japanese rivals and there-

fore enjoy fewer economies of scale. Japan makes over 30m.

tubes a year, about 60 per cent of world production.







# Squaring up for TV sales battle

ing skills in areas such as materials science, chemistry and vacuum technology to their limits for mass production.

As the screeo is flatter the glass must be much stronger and therefore thicker, 10 cope with the pressure caused by the vacuum within the tube. as it is squarer the electron heam needs to be aimed into the corners more accurately just where the deflection is greatest and it is hardest to get correct

alignment. An FST tube is also higger so il takes longer to evacuate the air and longer to cool-which are the slawest parts of the production process and govern the capacity of a plant.

Moving to FST has meant a number of changes in individual rake. components and the use of finer tolerances. Some £2m of new not involved a dramatic use of investment at Philips' Muliard new technology—like compact factory in Durham is on test

Jason Crisp on the high-risk game being played by the world's TV tube manufacturers

equipment.
The FST tubes have a electron beams fired from the

apparently small but, in fact, quite radical departure in the way in which it mounts the way in which it mounts the shadowmask, the thin sheet of foil with thousands of minute holes which sits just in front of the screen itself. The alignment of the shadowmask is absolutely

critical for colnur purity, yet it The FST tubes have a can easily bow or hulge from narrower neck, which reduces the heat generated by the bomthe energy needed to deflect the bardment of electrons. The conventional way has been to hold the shadowmask

electron beams fired from the gun nn in the screen but this creates problems with colour purity and focus. This has meant neveloping a new gun to avoid neveloping a new gun to avoid the shadowmask firmly in place with himetal connections in the middle of each side. Philips' FSTs use tiny corner mounts which inthe problem.

Philips has also made an geneously swing the mask togeneously swing the mask towards the screen as it heats but do not affect its critical alignment. It means less metal is nedeed and the new corner mounts can be automatically welded by laser.

Mullard's Durham plant is the last TV tube plant in Britain, since Thorn EM1 shut its fac-tory in Skelmersdale. (Sony, the Japanese company assembles its unique Trinitron tube at Bridgend, Wales).

Production of tubes is capital intensive and highly automated. The Durham plant is run round the clock for five days a week and emplays 900 people. It takes a tube 24 hours to pass the complete length of the production line which twists and moves from ground. turns and moves from ground evel to the factory roof for no less than five miles.

Mullard makes 20in conventional tubes and the equivalent size in FST (51cm). It supplies every TV maker in the UK, ex-cluding Sony, and exports two-thirds if its production.

This year production will rise to 1.65m tubes and the cost of converting the Durham plant to FST will he at least £15m. By December about half of its productinn will he FST.

Mullard's tube making activities made heavy losses up until 1981. Prices had fallen because of intense competition from the Japanese and Mullard had two plants with few economies of

The plants were rationalised with components and glass-mak-ing in Simonstone, Lancashire and all tube assembly at Durham, Heavy investment, in-creased automation, substantial job cuts and price increases have restored profits although they are still low and likely to

remain so.

The arrival of FST is the biggest change in tube produc-tion since the introduction of colour television. But that change will be dwarfed by the evpense and complexity of high definition television with a cinema-type aspect which will he introduced in the next decade.

# product appearance in graphic detail GRAPHICS DESIGNERS and

System to describe

those concerned with the visual appearance of products are the targets fnr a computer-uided design system from D.P.G. Claessens Product Consultants BV of

Hilversum, The Netherlands. Called Aesthedes, the system allows a packaging designec for example, to create a container, complete with text and graphic designs, in full colour and with 30 representation. There are no keyboard codes to remember—the system has nver 500 buttons and a graphics tablet over which the designer moves a "mouse" to draw lines on the display.

There are three screens nn which varinus aspects of the design can be seen at the same time. When creating a type fount for example, the whole alphabet created so far can be put un the centre screen, the character under design on the right and a hig

enlargement of it on the left.
The emphasis is on high definition and the system produces paper artwork at 50 points/mm on a Hewlett Packard pintter. Aesthedes recently became available in the UK (01-631 1434) and the Dutch number is 351 0551.

TEXTILE MARKING with traditional tailor's chalk — which has to be removed afterwards — can he carried out instead with special fluids from Ultra-Violet Products of Cambridge, UK (0223 255722).

Applied by felt tip pen, steneil or some similar method, the "ink" enables

tailors to mark outlines, darts, pleats and so so, so that they are invisible unless exposed to ultraviolet light. Increased productivity and improved nality control are claimed for the product.

MICROCOMPUTER SALES in the UK grew by 18 per cent in the UK in 1985 to reach £630m at retail prices according to Rumtek, the Maidenhead market research group. IBM led the field with 25 per cent of the market, fotlowed by Apricot (15 per eent), Apple (9 per cent), Epsom (6 per cent) and Commodore, Compaig and Olivetti with 4 per cent each. Rom-tec is in the UK on 6628 74242.



The Aesthedes, graphic design system from Claessens

AUTOCAD SOFTWARE, with 45,000 users the world's best selling computer aided design program, has been enhanced to give a 40 per cent fastec execution speed.

execution speed.

The new versinn, Antocad 2.18, which will run on IBM. Campaq. Apricot, Rewlett Packard, DEC, Victo r and Wang personal computers, is completely compatible with previous versions so that existing users can easily upgrade their systems. More from Autodesk in Brentford, UK on 01 847 3535. UK on 01 847 3535.



UNDERCARPET CABLING for hoth power and informa-tion signals has been introtion signals has been intro-duced by Amphenol of Rom-sey, Hampshire (0227 264411). Called Spectra-Strip, the system offers a flat cable design for power, data and telephone cables and a low profile pedestal ontiet lox which can be positioned near tn desks in open plan offices. (The atternative is underfloor ducting or overhead lines). Spectra-Strip allows

the cables to be accommodated under carpet tiles so

that office re-organisation is

relatively simple.

IMAGE CAPTURE, storage and transmission is the forte of Optronics, a Cambridge Science Park company in the UK, which is seeking an industrial partner of licensee to exploit the development,

Optronics already has a book scanner (developed for the British Library) and can also offer flathed document

After temporary Winchester disk storage to allow access for indexing, the scanned images are electronically com-pressed allowing permanent storage in the minimum space on disk or tape. From there, they can be displayed locally hy high resolution monitor. or can be sent via a special Interface unit over a phone line, using one of several transmission protocols including BT Ki ostream and facsimite group three, More on 0223 64364.

#### Toshiba chips

TOSHIBA says it does not plan to deliver samples of a fourmegabit dynamic random access memory this year, as reported on the Technology Page on March 11 and 14. The company has developed a prototype de-vice but says it expects deliveries to take "a few more

-)

#### of switching to FST has not such aggressive producers of has helped Far Eastern supcome at a good time for the consumer electronics goods, pliers. Not nnly are these manufacturers. including TVs and tubes, that more economic to ship half-Since the mid-1970s there has been a substantial restructur-

FST SWITCH COMES AT A BAD TIME FOR EUROPEANS

THE difficulty and expense The Koreans bave become it is even worrying the Japanese. Imports of Korean tuhes into the UK, for example, are small but grow-ing very fast, with prices ing of the industry involving closures, takeovers and an overall reduction in capacity. The few remaining manufacturers - Philips, Thomson underentting both European and Japanese suppliers.

As a result, world capacity tn produce tubes is rising, yet demand for TV is flat. At the same time prices— FST aside—are falling. The high fixed costs of TV tube production make it a temptatinn for any manufacturer to cut prices in order to keep lts factories fully loaded.
A move by Enropean con-

sumers to huy smaller sets way round the world; they are also the most commonly made sizes in the Far East.

Philips manufactures 12m tubes year worldwide, of which 8m are made in five large plants in Europe, capable of producing 1.5m to 2m tuhes a year. Each of its European plants usually makes one size of tuhe—large in Aachen, West Germany and Dreux, France, medium in Durham, UK and small in Lehring, Austria. It also has plants in Spain, Brazil, Taiwan and the US. Critles say that if Philips

wants to put itself on an equal wants to put itself on an equal footing with its Japanese rivals it should have fewer and larger plants.

Philips acknowledges that its production of FST is over a year late and this has caused some internal tensions

as its set manufacturing side has been short of the new

Mr Phil Harris, director of consumer electronics at Mul-lard the UK tube-making subsidlary of Philips, says: "By going straight to flatter and squarer we've gone two stages at once. At first we considered inst going square. But it would have been stupid to do so, and have to make further ehanges going to flatter two years later."

# ESSANEN

1985 RESULTS	1985	1984
Turnover (Dfl m)	4,248	4,136
Profit before taxation (Dfl m)	. 105.8	90.6
Net profit after taxation and before extraordinary items (Dfl m)	60.1	48.1
Net profit after taxation and extraordinary items (Dfl m)	62.3	48.1
Profit per Ordinary share (Dfl)	18.82	16.70
Dividends per Ordinary share (Dfl)	7.80	6.80

Koninklijke Wessanen N.V. had another excellent year, the profit after taxation reaching a record level. The net profit rose by nearly 50 per cent, reflecting the combined effect of higher sales and improved margins. All the divisions of the Group contributed to the result. The profit per Dfl. 20 Ordinary share rose by nearly 13 per cent. The number of issued Ordinary shares increased in 1985 by about 15 per cent.

The proposed final dividend is Dfl. 5.60 per Ordinary share, which is payable in cash or, at the shareholder's option. Dfl. 1.00 in cash and Dfl. 0.40 nominal in Ordinary shares. Copies of the 1985 Annual Report are available in the United Kingdom at the offices of Morgan Grenfell & Co. Limited, New Issues Department, 72 London Wall, London EC2M 5NL.

#### The Wessanen Group

Established in the Netherlands in 1765. Wessanen is now one of Europe's largest food manufacturing groups. The group has a philosophy of decentralised management, and is currently organised into six autonomous divisions: edible oils and fats, unimal feeds, flour, meat products, dairy products and US consumer food products.

Over the last ten years. Wessanen has pursued a strategy of product specialisation and geographical diversification, increasing the propontion of European sales in higher added value specialty products and developing through acquisitions a successful consumer products business in the dairy sector in the

Wessanen Bearer Depository Receipts representing Ordinary shares are listed on the London and Amsterdam Stock Exchanges.

#### 1986 Annual General Meeting

The Annual General Meeting will be held at the Okura Hotel, Ferdinand Bolstraat, Amsterdam at 2.30 p.m. on Thursday, 24th April, 1986.

2.30 p.m. on Thursday, 24th April, 1980.

The Meeting is open to holders of Priority shares, Registered Ordinary shares and Bearer Depositary Receipts, and to representatives of the Press upon presentation of their press pass. As provided for in Article VIII.4, clause 6 and 7 of the Articles of Association of the Company, holders of Bearer Depositary Receipts for shares of Koninklijke Wessanen N.V. issued by the Stichting Administratickants, or van a andeleten Koninklijke Wessanen N.V. are entitled to attend the Meeting in person, or to be represented by a priory appointed in writing, and may address the Meeting, provided that they have lodged their Bearer Depositary Receipts or a receipt given therefor with the Amsterdam-Rotterdam Bank N.V., Herengracht 597, Amsterdam, The Netherlands by 21st April, 1986 and have obtained a receipt which will serve as a cord of admission to the Meeting.

#### 1. Opening of the Meeting.

- 2. Nomination of a Shareholder to approve the
- 3. Approval of the Minutes of the Ordinary General Meeting of Shareholders held on 25th April, 1985.
- 4. Report of the Board of Managing Directors for the financial year 1985.
- 5. Adoption of the Accounts for 1985 as approved by the Supervisory Board, including the appropriation of profit for the financial year, 1985; announcement of the date of payment of the final dividend for the Imancial year 1985.

#### **AGENDA** 6. Amendment of the Anticles of Association:

- a proposal to amend the Anicles of Association of
- the Company; b proposal to instruct and authorise the Board of Managing Directors to seek official approval of the amended articles and to make such further amendments as may be necessary to ohiain official approval.
- 7. Authorisation of the Company to acquire shares or depositary receipts for shares in its own capital. 8. Reappointment of retiring members of the
- Supervisory Board. Any other business.

The Board of Managing Directors 7th April, 1986 Koninklijke Wessanen N.V., P.O. Box 410, 1180 AK Amstelveen, The Netherlands

# Gulf Riyad Bank E.C. Offshore Banking Unit Established in 1978

Manama Centre Building, P.O. Box 20220, Manama, Bahrain, Tel: 232030, Telex: 9088, C.R. 8510 FX & MM Tel: 259413, 259430, Telex: 9089, 9098

				IST DECEMBI	1		
ASSETS	1.2	000	USS			-	05
Cash and due from ban Banks Time Deposits			559	Time Deposits	980	667	
Loans			669	Call Deposits Other Liabilities	22		788
Loans	400	343	009	Proposed Dividend		057 600	
- Short Term	140	061	073				
- Medium Term		482	684	TOTAL LIABILITIES	1 004	488	306
- Long Term	. 12	405	912	CAPITAL FUNDS			==
Investment Portfolio	98	764	401			-000	-
Other Assets			103	Share Capital Reserves		000 054	
Fixed Assets		289		- Statutory Reserve	. 21	9gs	42
				- General Reserve	1g	068	79:
				Subordinated Loan .	24.	835	
	٠.	:		TOTAL CAPITAL FUNDS	65	889	829
TOTAL	1 070	378	135	TOTAL	1 070	378	135
COMMITMENTS AND CONTING	ENT LIA		ES				_
Guarantees & Irrevocab		ers o	f Cre	dit US	\$ 49	667	638
Undrawn Loan Commit		•		· · US	\$ 16	070	396
Foreign Exchange Cont				. US		573	
Financial Future Contr	acts			Us	\$ 90	000	000
		R	ESL	JLTS			
INCOME			_	US	re 90	282	57.4
EXPENDITUR	Ε			US	-	824	
OPERATING I		Ε		US		458	
NET PROFIT				US		288	
TRANSFER TO			S	Ü		688	
PROPOSED D		•		ÜS	-		

IBRAHIM SHAMS	JEAN DEFLASSIEUX
CHAIRMAN	DEPUTY CHAIRMAN
NET PROFIT TRANSFER TO RESERVES PROPOSED DIVIDEND	US\$ 12 458 4 US\$ 5 288 97 US\$ 3 688 97 US\$ 1 600 00

1985 NET PROFIT BEFORE TAX £7.3m 1984 NET PROFIT BEFORE TAX 1983 NET PROFIT BEFORE TAX £1.6m WE'VE ALWAYS HAD A GOOD SENSE OF DIRECTION. In the UK defence market, Since SD came to the Stock

Market in 1982, pre-tax profits

K E.C.

have grown by nearly 600%. Our world-wide capabilities have also grown dramatically.

Over half of SD's profits are now earned abroad, with a major contribution from the US, where our Warrington subsidiary dominates its market in bank bond-trading services.

In fact, Warrington processes, on average, 45,000 bargains a day. That's well in excess of the daily transactions on the London equity market.

In advanced software technology, SD has worldleading products in the Ada field and in artificial intelligence. no other software company has

as deep an involvement as SD. We offer the highest quality advice, services and products to computer users. And to our employees, we offer a varied and challenging career.

With a track record like ours it's no wonder our success is no secret.

Reported profit before taxation

#### NATIONAL BANK OF CANADA

NOTICE TO THE NOTE HOLDERS OF 161/1%

**DEPOSIT NOTES DUE MAY 15, 1988** 

Notice is hereby given that pursuant to the terms of the 16½% Oeposit Notes. U5\$5,000.000 principal amount of 16½% Deposit Notes has been drawn by lot by the undersigned on behalf of the principal paying egent, for redemption, on the 15th of May, 1986.

The said Deposit Notes so called for redemption will therefore be redeemed on the 15th day of May, 1986, at 100% of the principal amount so celled, plus ectrued and unpaid interest to the date of redemption. If applicable, upon surrender of the said Deposit Notes with thereto ettached, ell interest coupons, maturing 15th of May, 1986 and thereafter at any of the following paying agents:

Pollowing paying agents:

— National Bank of Canade, \$35 Madison Avenue, New York 10022.

— National Bank of Cenada, Princes House, 95 Gresham St., London EC2V 7LU.

— Manufacturers Hanover Bank, Belgium S.A./N.V., Rue de Ligne 13, 8-1000 Brussels.

— Manufacturers Henover Bank Luxembourg 5.A., 39 Boulevard Prince Henri, Luxembourg, Notice is hereby given that interest upon Deposit Notes so called for redemption shalf cease to be payable from and efter the said redemption dete, namely the 15th day of May, 1986, and coupons for interest maturing after the said date, namely the 15th day of May, 1986 shall be used.

- 1010										
The des	ignating le	etter and n	umbers of	the Oepo	sit Notes	so called	for redem	ption are:		
X0025	X0040	X0048	X0060	X0066	X0075	X0081	X0082	X0084	X0085	
X0091	X0093	X0109	X0111	X0112	X0127	X0129	X0133	X0150	X0151	
X0157	X0159	X0171	X0176	X0178	X0193	X0196	X0199	X0229	X0242	
X0245	X0248	X0262	X0263	X0268	X0285	X0295	X0296	X0302	X0304	
X0318	X0338	X0364	X0370	X0386	X03.90	X0394	X0397	X0406	X0407	
X0409	X0416	X0417	X0418	X0427	X0429	X0432	X0433	X0434	X0449	
X0456	X0458	X0462	X0465	X0476	X0477	X0478	X0498	X0512	X0524	
X0529	X0533	X0551	X0554	X0557	X0564	X0577	X0580	X0582	X0588	
X0593	X0609	X0617	X0636	X0653	X0680	X0699	X0704	X0714	X0724	
X0725	X0726	X0733	X0741	X0751	X0752	X0755	X0759	X0762	X0773	
X0774	X0777	X0778	X0780	X0783	X0798	X0800	X0804	X0811	X0813	
X0817	X0829	X0834	X0839	X0848	X0853	X0854	X0856	X0857	X0864	
X0873	X0888	X0892	X0902	X0922	X0925	X0946	X0967	X0974	X0991	
X0995	X1017	X1036	X 1040	X1044	X1050	X1051	X 1052	X1057	X1061	
X1070	X1071	X1076	X1077	X1079	X1082	X1088	X 1092	X1114	X1119	
					X1157	X1174	X1177	X1186	X1188	
X1120	X1130	X1134	X1138	X1139		X1234	X1258	X1262	X1288	
X1189	X1194	X1205	X1206	X1210	X1224					
X 1291	X1295	X1297	X1298	X1300	X1302	X 1308	X1310	X1315	X1319	
X1325	X1356	X1363	X1368	X1376	X1390	X1417	X1438	X1440	X1443	
X1444	X1462	X1464	X1476	X1480	X1482	X1491	X1498	X1519	X1524	
X1539	X1544	X1560	X1565	X1568	X1580	X1585	X1595	X1597	X1598	
X1601	X1603	X1611	X1621	X1630	X1639	X1640	X1648	X1654	X1655	
X1659	X1665	X1670	X1671	X1690	X1718	X1726	X1729	X1738	X1742	
X 1791	X1796	X1797	X1798	X1822	X1824	X1827	X1849	X1851	X1869	
X1873	X1904	X1905	X1911	X1918	X1923	X1931	X1949	X1952	X1953	
X1954	X 1960	X1998	X2004	X2008	X2010	X2015	X2Q16	X2026	X2061	
X2067	X2077	X2086	X2093	X2101	X2132	3/2160	X2174	X2185	X2188	
X2190	X2195	X2197	X2198	X2204	X2205	X2206	32208	.X2217	. X2226	
X2227	X2235	X2238	X2265	X2279	X2283	X2296	X2298	X2308	X2311	
X2314	X2319	X2333	X2335	X2352	X2354	X2356	X2391	X2395	X2399	
X2402	X2414	X2419	X2427	X2429	XZ434	X2441	X2445	X2447	X2450	
X2454	X2461	X2463	X2478	X2493	X2497	X2545	X2568	X2569	X2572	
X2574	X2583	X2590	X2593	X2595	X2600	X2601	X2602	X2606 -	X2617	
X2622	X2629	X2636	X2638	X2639	X2664	X2673	X2690	X2704	X2708	
X2716	X2735	X2736	X2754	X2766	X2771	X2777	X2781	X2792	X2801	
X2810	X2820	X2822	X2825	X2832	X2842	X2846	X2853	X2864	X2873	
X2876	X2878	X2889	X2894	X2897	X2907	X2909	X2910	X2923	X2928	
X2939	X2946	X2965	X2970	X2977 .	X2994	X2995	X3015	X3016	X3026	
X3044	X3046	X3048	X3049	X3052	X3062	X3077	X3079	X3083	X3096	
X3097	X3099	X3100	X3102	X3126	X3138	X3157	X3168	X3170	X3173	
X3179	X3204	X3210	X3217	X3230	X3231	X3238	X3252	X3260	X3265	
	X3282	X3296	X3298	X3301	X3304	X3306	X3316	X3321	X3332	
X3270			X3384	X3386	X3390	X3398		· X3402	X3410	
X3334	X3335	X3369	V2447	V3350	X3489	X3490-	X3491	X3497	X3498	
X3427	X3433	242410	X3461	X3480						
X 3502	X3505	X3519	X3531	X3533	X3541 ·	X3548	X3558	X3561	X3570	
X3589	X3593	X3603	X3612	X3618	X3623	X3641	X3642	X3647	X3660	

yet been presented for payment.

X0008 X0323 X0328 X0705 X0977 X0979 X0981 X3972

The principal amount of 161% Deposit Notes outstanding after the said redemption date

X3748 X3872

: U5\$25,000,000. Manufacturers Hanover Limited. 7th April, 1986

# A New York-Tokyo-London axis

By David Lascelles, Banking Correspondent

MARUNOUCHI, Wall Street, Bishopsgate—there is not much to choose between them at rush hours. Everywhere crowds squeeze into lifts and 200m up office blocks of work amid hard-ware that could all bave been —and probably was—made by the same company. Similar worries are on their miods: the Fed, the yeo, the price of oil. Only the whist of noodles, or the steaming street vents say you must be in Tokyo or New York rather than

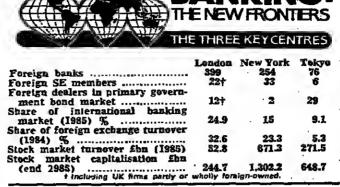
As these three cities establish themselves as the focal points of the world banking husiness, they suffer the same boom town ills: shortages of skills and office space, which are driving up costs and creating thes same headaches—or windfalls—for everybody. The banker in London despairing of finding a good gilts trader for finding a good gilts trader for the Big Bang can commiserate with his opposite number in Tokyo who needs an English speaking Japanese bond dealer; they are rarer than foreigo cars on the Ginza.

The sameness of financial districts around the world might seem a predictable coosequeoce of the globalisation of the banking industry. But the similarities between these cities

The similarities between these cities end very quickly

publicised trends is that—so far last 18 months to preserve the at any rate—they have not whisked the international banking business into a smooth bomogeoous whole. Rather the opposite. It is still very luming the first present decision to slap a 5 per cent of end very quickly. opposite. It is still very lumpy.
The things that shape the business environment in all these places-like culture and government policy—remain strikingly different. New York, Tokyo and London bave so little in common that few bankers are even sure what actually makes a successful financial centre. Of the three, only Loodon bas deliberately set out to be one, which makes it both the most hospitable and the most vulner-

The Tory Government's efforts to open up the City were prompted in good part by the desire to secure the City's position in the European time zone, and generate jobs and, revenue. After the latest changes go through, Loodon's changes go through, Loodon's tion. It also forces foreign corporate taxation will be the banks to choose whether to



compared with effective rates of over 40 per cent in the US and nearly 60 per cent in Japan). Its regulatory system, based on voluntary control by practitioners rather than bureaucrats, will contrast starkly with the severe statutory regimes of the US and Japan.

All this should add to the attractions London has long enjoyed as the bome of the attractions London has long enjoyed as the bome of the Euromarkets and host to the world's largest banking com-munity of 400 foreign institutions employing over 50,000 people. At the same time, it could attract the less savonry elements of the banking community and make London rather too dependent on the continued bealth of the financial markets. The UK authorities' readiness to ball out both the gold and the tin markets in the

verted for trading in New York

a blatantly protectionist move
that betrayed a bigh, and possibly unnecessary, degree of The appeal of New York and Tokyo, by contrast, is access to domestic markets that are

larger than Britain's. Both New York and Tokyo are shackled so far as bankers are coocerned with the weight of Glass-Steagall-type legislation which prevents them dealing in corporate securities in their home markets at a time when "securitisation"—the transformation of loans into tradeable assets—is the bottest thing in the business and one of the driving forces behind globalisa-

banking or a securities bat. "We have a vision of what we want to be by 2990. But these regulations will be a severe competitive bandicap." said Mr John Vella, bead of capital markets at Bank. of America. Last year, Nomura Securities. Japan's largest brokerage bouse, earned bigger profits than its best performing bank, Sumitomo, and, for that matter, all but the largest foreign banks, largely because it is spared direct bank compe-tition. Io the US, the balf dozen

largest investment banks have 70 per cent of their market. In neither country is there any immediate prospect of re-form, though in Japan, bankers say nothing will happen there until Glass Steagall is abolished in the US. This means that London will continue to benefit from the existence of more than 50 securities and merchant banking subsidiaries which US and Japanese banks have been forced to set up in the City instead. It will also be the only truly competitive big financial centre where the glants of the banking, securities and invest-ment business clasb bead-on-a fact which could force the UK authorities to tighten regulation if the voluntary bindings cannot take the strain, and where domestic banks face the strongest threat from foreign

London's greatest drawback, at least for UK-based institu-tions, is an unexciting economic hinterland. Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, said: "We need a strong domestic base to generate capi-tal issues. The British Telecom sale (which was widely distributed abroad) was one of a series which will not last?

entrants.

lowest of the three (35 per cent enter these markets wearing a national financial scentre, the

outside world has yet to implinge as much on the other two, par-ticularly Tokyo. But change is coming there much faster than bankers expected when the

So has the decision of the all-powerful Ministry of Finance to admit foreign banks to key parts of the Japanese financial machine like the securities business, the

But it also shows that Tokyo sets the rules of the game by administrative fiat — which makes foreign bankers feel more uneasy there than in New York or London. "They are not administrative fiat — which makes foreign bankers feel more uneasy there than in New York nr London. "They are not doing this out nf philanthropy," said a US banker who questions Japanese motives. The most handicapped by the fact that popular theories are that liberalisation's true aims are to belp the Government fund its budget deficit and to import banking skills so Japanese institutions can learn them and then beat their teachers.

Heavy regulation has not prevented either. Jew York or Theyo becoming the key financial centres in their time zones. Nnr has London been obviously its markets are only half the size nf Tokyo's and a fifth the size nf New Yorks, though, as a London merchant banker points nut: "For London you then beat their teachers.

This wariness even extends reverse the whole process. Mr. Richard Kjeldsen, international economist at Security Pacific, tha Los Angeles-based bank, sees a contradiction: "Can you have a financial sector that is fre and an economy that is orchestrated No. It would mean dismantling Japan Inc."

Despite these concerns and the tough times foreign banks; havehad in Japan in the past (one third of the 76 there last year lost money), they continue to arrive, most of them hoping to justify the enormous expense by generating new business for their far-flung groups, and getting a sbare of the booming securities business and Japan's annual \$50bn capital exports. To succeed they need to attack a market that is still much more closely bound by personal relationships than London or New

Apart. from Glass-Steagall. access to the US markets for foreigners bas always been freer than in London or Tokyo, so long as they can squeeze in.

applications by foreign institu-tions to become primary dealers in government bonds — the key players in the US financial markets. Although the bankers expected when the Japanese government embarked Federal Reserve Bank of New York, which manages the marreform two years ago.

The liberation of interest rates and yen trading has opened Japan to the currents of the world capital and currency markets which—more than equities dent, said: "Over time I fully expect that you will see some growth in the number of the all-powerful Ministry of who can quality as primary finance to admit foreign dealers."

banks to key parts of
the Japanese financial machine
like the securities business, the
stock exchange (the first six
foreign members join this year),
trust banking and the primary
government bond market.

But it also shows that Tokyo
sets the rules of the game by
administrative first which
support the stock of the game by
also blaze new trall through the
pregulatory undergrowth.

regulatory undelgrowth

#### Tokyo sets the rules of the game by administrative fiat

should read the EIC.". By the time you add in the huge social and cultural barriers facing foreigners in Japa, none of the three looks idea

What they have all done What they have all done though, is reach the critical mass that creates its own gravity—and plays of bankers well-known gregariousless. This does not mean, bankers say, that secondary financial centres such as Hong Kong, Fankfurt and Zurich have lost but for good; many expect to expand there nace the New YorkTokyo-London axis is properimestab-London axis is properly estab-lished. But Mr Tom Lickett, assistant general manage for trading at Midland Bank, which is investing beavily in an inter-national securities networknow it has sold off the Crocker lank, remarked: "Major banks will want the economies of scal of centres. The others will aly he satellites."

But globalisation has had two This is the second article effects on New York. a series on world banking.

Ome is to maleast a fleed of first appeared on April 2. This is the second article in

# **PEOPLE ALL OVER THE WORLD**

X3720

X3818 X3912

A nation's decision to buy McDonnell Douglas products often results in more than the traditional buyer-seller relationship. It can create long-term partnerships in which commerce and technology flow both ways -long after the contracts are completed—to the benefit of millions around the world.

For instance, after Canada's purchase of the CF-18 aircraft, we assisted the Province of New Brunswick in creating a Technology Center, encompassing five colleges and universities, to train students in Cad-Cam, robotics and factory

automation. We understand the need for, and the A nation's economy, and its people, benefit when that country's industries value of two-way international business produce parts and products for our company. Examples abound. Airline orders for MD-80s are creating millions of job hours for workers in Canada, Japan, Austria, Spain, China, Italy, our promises. France, Sweden and Switzerland. Canada, Australia and Spain help produce Hornets. Japan builds Eagle fighters. T45 trainers and Harpoon and Harrier II parts are made in Great Britain. West Germany, Israel and South Korea supply parts for missiles and helicopters. Dozens of companies in each country not only DOUGLAS

gain revenue by such commerce, they also acquire new technology for non-aerospace production.

We're helping Australian firms gain access to U.S. markets—even helped one gain a U.S. stock exchange listing. Because of airliner purchases, Yugoslavian glassware and meats found U.S. markets. American tourism is promoted for Finland, Yugoslavia, Austria, Australia, Canada, Spain and others because of aircraft purchases. We're arranging negotiations for Spanish companies that seek foreign technology

relationships. We're proud of our record of fostering economic growth and bringing new technologies and commerce to nations with which we trade. We're keeping



# **ABU DHABI NATIONAL** INSURANCE CO.

(Incorporated in Abu Dhabi in 1972)

#### PAID UP CAPITAL U.S.\$ 40,500,000/- ::

HEAD OFFICE: P.O. Box 839 Abu Dhabi-U.A.E. Tel: 343171 Telex: 22340 ADNIC EM Telefax: 211358

LONDON OFFICE: 34-35 Leadenhall Street London EC3A 1AN Tel: 488 9741 Telex: 8951284 ADNIC G Telefax: 4807471

#### Balance Sheet at 31st December, 1985

Approved by General Assembly of shareholders held on April 5, 1986 in Abu Dhabi

		· ·
1984		1985
US\$ '000	ASSETS	US\$ '00
744	FIXED ASSETS NET OF DEPRECIATION	51
4,071	INVESTMENTS IN REAL ESTATE NET OF DEPRECIATION	3,25
	CURRENT ASSETS	
32,706	ACCOUNTS RECEIVABLE AND PREPAYMENTS	35,07
29,071	INVESTMENTS IN MARKETABLE SECURITIES	28,14
88,885	CASH AND BANK DEPOSITS	104.62
150,626	TOTAL CURRENT ASSETS	167,84
155,477	TOTAL ASSETS	171,62
1984		
US\$ '000	LIABILITIES AND FUNDS	. } .
93,299	SHAREHOLDERS' FUNDS	109,0
29;374	INSURANCE FUNDS	2982
	CURRENT LIABILITIES	
5,600	PROVISION FOR OUTSTANDING CLAIMS	5,52
17.474	ACCOUNTS PAYABLE AND ACCRUALS	15.06
9,730	DIVIDEND FOR THE YEAR	12,16
32,804	TOTAL CURRENT LIABILITIES	32,7
155,477	TOTAL LIABILITIES AND FUNDS	

1. Total premium written during 1985 amounted to US\$94,110,000.

Net Profit achieved during 1985 amounted to US\$27,910,000.

The figures shown have been translated from U.A.E. Dirhams at US\$1 = UAE DH 3.7.

Chairman: Khalaf A. Al-Otaibah General Manager: Wasef S. Jabsheh

"For me, the most exhilarating event at Royal Ascot is the 12 o'clock.

The race to the bar to order one's Guinness."



THE MOST DISTINCTIVE BEER IN THE WORLD.
FOUND AT THE VERY BEST PLACES IN OVER 140 COUNTRIES.

PHELPS DODGE, the US cop-per mining company, has dug itself out of the pit. After four years of losses totalling more than \$400m, the group last year returned to profit with a modest \$29.5m oet. It was not much for a com-

pany which was once one of the higgest moneymakers in the US. The debt-ridden group could not afford a dividend. But for many Wall Street investors tha sur-prise was that Phelps Dodge

had survived at all.

It has pulled through the worst recession in the US cupper industry since the 1930s, with nn help at all from the enp-per market—after falling from ner \$1 a pound in 1980 to under 73 cents in 1982, US prices have slipped further and averaged 67 cents last year. By cutting costs. slashing

jobs and selling assets. Phelps Dodge has left rival US copper producers trailing, with most of them still deep in the red. At the same time, the company expanded copper production to a record 410,100 short time last year—outstripping Kennecott They did not seem to realise as the largest US producer. as the largest US producer. what was going to hit them."

in a sense, Phelps Dodge George Munroe, Phelps Dodge had no choice about moving chairman, agrees that it was

quickly and even ruthlessly, en-during a hittet strike to make sure it got its way. Unlike Ken-necott, which was taken over the BP associate Solito, Phelps Dodge had no rich parent in pay fur its losses. And unlike Newmont Mining. which has profitable interests in gold and evergy as well as its loss-making copper subsi-diary. Phelps Dodge had failed to diversify successfully. As a result, Phelps Dodge had to turn its copper husiness around fast or perish.

sively.

Arizona.

ands, or buts."

Dodge since 1975.

and then dropping it eltogether. Belatedly, it ended the develop-

ment of e new underground

copper deposit at Safford,

These were all typical and traditional responses to a cyclical downturn. Phelps

Dodge still believed in 1982 that

A year later, the company

industry's long-term pay

broke ranks with other US copper companies. In mld-1983

contracts expired and came up for renegotiation between the

for a deal with no pay increases

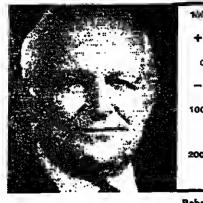
It was by no means clear in advance that Phelps Dndge would succeed. The company's costs were already lower than the US everage in 1980, but not low enough to compete with expanding overseas rivals, above all the Chileans, Like other US mining groups, Phelps Dodge had allowed costs to rise in the good years — repeatedly giving away increases in pay and manning under strong pressure from the organised trade unions.

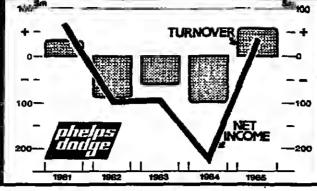
The group had a reputation on Wall Street for slow and indecisive management; the cur-porate head office in Park Avenue duplicated much of the work of the Western operations headquarters in Phoenix, Arizona. Costs and manning levels were notoriously high. with mines end smelters inefficlently running below capacity. To some outsiders the company employers and trade unions, led seemed oblivious to the danger by the United Steelworkers it faced. Bill Siedenburg, mio- Union. The unions were reedy it faced. Blu Siedenburg, mio-ing analyst with New York broker Smith Barney, says: in real terms but insisted that "There was a great air of the three-year contract should serenity about Phelps Dodge. allow for cost-of-living adjust-

Phelps Dodge

# Mining a seam of support

Stefan Wagstyl reports on the US copper group's survival strategy







tons a year plant at Morenci.

This extra output will have e

substantial effect on the average cost of production since the

magnet wire.

some \$231m new shares.

15 per cent of the Morenci mine for \$75m to Sumitomo

had to do this shows how con-

cerned we were about our balance sheet."

Phelps Dodge hopes to raise more than \$300m when all the

Robert Durham (left) and George Munroe: climbing out of the pit

Morenci, in Arizona, but the company broke the unions by hiring new workers. The new workforce, not surprisingly, voted to expel the unions in a only when the group's losses began to look overwhelming that the company acted deci-sively, "Circumstances have to he such that you can command decision that was only con-sell non-core assets to reduce firmed earlier this yeer by the debt; and diversify.

National Industrial Relations In e recent paper Yearley the loyalty of your workers and you can convince them that you are taking the right decisions," says the 63-year-old lawyer who has been chairman of Phelps

Karl Forstrom, mine manager at Morenci, says there is still bitterness in the town. "To tell Phelps Dodge first reacled to recession in a similar way to other US mining companies you the truth it will probebly he here for a long time to closing down mines and smel-The result was that Phelos ters temporarily, laying off workers, cutting the dividend

Dodge gained the lowest labour costs in the US copper industry. Wage rates average \$12.50 an hour against \$13.76 at Kennecott. Equelly, the company has won much greater joh flexibility from its work-force, A senior executive at a copper company says: "That's what really mattered. It meant they could get on and industrial recovery would bring the copper price bouncing back and closed sites would he do what they had to without endless arguments with the reopened. One senior executive wes quoted as saying that if prices stayed at about 70 ceots for another 18 months "we'd be in serious shape — no ifs, and on buts"

Phelps Dodge had been tough. But taking on the trade unions in this way was not unprecedented in the stormy history of industrial relations in US mining. The company's next step was a real break with the past.

In early 1984, Phelps Dodge finally abandoned the long-beld hope that prices might soon turn. As Dougles Yearley, a senior vice-president, says, it became epparent that the hasic

meots, so-called COLAs. Phelps low board level, were brought Dodge refused. A hitter strike together to prepare a plan to followed at its higgest mine, make Phelps Dodge profitable together to prepare a plan to make Phelps Dodge profitable with copper et 65 cents a pound. The strategy they came up with was to concentrate copper production in the lowest cost sites and cut out the rest;

In e recent paper Yearley says that the principles of busi-ness are simple. "Sometimes ness are simple. "Sometimes it requires e fresb look; that is what this committee was eble to do." Munroe says: "It was e good plen and it's worked." The company shut one of its three mines and brought in round-the-clock operation at the other two — Morenci and Tyrone in New Mexico.

It closed two high-cost smelters which were in need of

further investment to bring them into line with US pollution laws. Output at the two remaining smelters — Douglas and Hidalgo — was stepped up to 80 per cent of the former production of all four plants.
The workforce in the com-

pany's Western operations fell from 7,600 in 1981 to 3,550 last year. Overhead costs were cut equally ruthlessly — with a reduction from 525 to 290 in head office staff in the past 18 months. Munroe and Robert Durham, the president, now shere a secretary.
But the company found the

money in a much-reduced capltal programme to invest in solvent extraction/electrowinning (SXEW) — a low-cost process in which copper is extracted from became epparent that the hasic fundamentals of the copper market bad changed.

Yearley and e number of other senior executives, all be
which copper is extracted from the following asset sales are completed, plant et Tyrone in 1983 and reducing debts from the 1985 then doubled its capacity to year-end total of \$500m and other senior executives, all be
it is building a \$90m, 45,000 from 54 per cent.

and Durham to believe that Phelps Dodge, albeit a smaller company than it once was, can survive with production costs now near 60 ceets a pound, against over 80 cents in 1983. Durham says: "We feel we can function even in this still quite dismal copper market." However, the room for lower-

ing costs much further is limited, even allowing for SXEW. Some of the short-term savings the company has made cannot be repeated too oftenearly last year for example, Pheips Dodge milled only bigher-grade ore of Morenci leaving lower-grade material behind. This "high grading" shortens the life of a mine. Smith Barney's Siedenburg, aays: "I do not think they hava much more room to cut costs. They have to wait for a better opper price."

Meanwhile the company is tentetively thinking of broaden-ing its interests—it has a share in e rich copper deposit in Turkey and, like several other US base metel companies, has expanded its gold exploration programm

everage cost of SXEW copper is under 30 cents e pound. It is also looking to buy e profitable US company which would make use of Phelps The company had once prided itself on the extent of its fabricating companies, making rod, tube and cable across the US. In recession, these only in-Dodge's £550m accumulated tax losses. Munroe says it would have to be a well-managed company with a good earnings stream and with a business creased the exposure to the depressed copper market. They were now sold, except for a specialised company making cycle different from copper. But Phelps Dodge's desire to diversify la firmly limited by commitment to being Phelps Dodge also closed its Western Nuclear uranium mine, best copper company in the country." Durham says Phelps Dodge has not moved "one iota an unsuccessful diversification of the 1970s. And it put on the market its stake in the Black Mountain leed-silver mine from this objective."

Outside the company there are serious doubts about whether Phelps Dodge will now in South Africa. Altogether, it wrote off some \$195m in 1984, taking the net loss to a record be any better at diversifying than it was in the 1970s. Apart from the unlucky failure in But even this was not enough uranium, ventures into oil and gas got nowhere, and a joint to rescue the balance sheet. So venture in aluminium was only marginally profitable and was sold off in 1980. Phelps Dodge took to selling equity to reduce debt-issuing Finally, the company took the difficult decision to sell

At the end of the day, Phelps Dodge will only have the resources to invest in anymine for \$75m to Sumitomo thing if it can generate cash from copper. In the short-term to secure a market for the mise's copper but mainly to cut that copper prices in the US debt. Phelps Dodge is now maintain their recent modest all lines to other precipital buyers. milee's copper but mainty to the debt. Phelps Dodge is now maintain their recent makes a sr.5m addition to makes a sr.5m addition to Dodge's net profits.

In the long-term, the market looks very uncertain. Munroe hopes that low prices might now drive overseas competitors to take cuts, since US producers have borne the brunt over the past few years, "These things change," he says, "if yon can just bang on in there. Thank God, we are joing that."

# How to play the company game

Nick Garnett explores alien corporate cultures

JAPANESE companies that JAPANESE companies that have set up manufecturing. assembly or distribution operations in the UK have tended to back aff from imbuing those sites with their home-grown philosophy of "shared values" and team saidted.

By contrast, many US com-panies in the UK, like Mc-bonalds and IBM, have been much less willing than Japan-ese companies to be flexible on this issue and have been more successful in transpos-ing their strong hame-bred culture to Britain.

This is one of the surprising conclusions that can be drawn from o study of 15 leading British companies and a similar number of direct Jepanese competitors in the UK.

The study, carried out by John Saunders and Veronica Wong of Warwick University's management centre, is essentially designed to test the theories contained in the Peters and Weterman book,
"In Search of Excellence." It daes not provide any explanathe contrasting Japanese and US practice. but Saunders' own suggestion is that the Japanese have simply been more ready than many US managements to adjust themselves and their businesses to a British way of doing things.

He also feels that there is more resistance from British managers and workers to a "shared value" eniture of harmony, team spirit and the "company man" when this is songht by the Japanese than when it is required by Ameri-

"A common comment was well, I understand they do that in Japan but they haven't tried that here," says Saun-

The study did unearth what the two authors saw as key differences between the Japanese and British companies. The level of professionalism among managers in the Japanese companies was higher in both planning and day-to-day running of the businesses and very senior managers asked more of their subordinates. All the companies included in the study were very large suppliers in the UK market and were in sectors character-ised by head-on competition

between British companies and Japanese assemblers and distributors in the UK. The interviews, carried out in 1984 were with what the onthors call "top marketing decision makers."

In terms of profitability and growth the 30 companies were divided into 17 successful ones (12 Japanese) and 13 unsuccessful (10 British). "Shared values" include those parts of a company's culture that allow employees to pursue their own initiatives while the values an which the organisation is built are maintained and nurtured by senior tained and nurtured by senior

"The study found no evidence of strongly beld shared values among either the saccessful or unsuccessful com-

This runs contrary to con-ventional wisdom. "While the ventional visions. While the subsidiary executives recognised that their Jopanese parent probably beld such values, there was no attempt at all to imbue them into the UK staff."

One question outside the ambit of the study is whether this lack of Japanese-style company thinking in Japanese-owned sites in Britain might be partly the product of their youth and relatively

small size. Some very substantial differences bowever did mark off the successful from the less successful companies.

The latter were more con-cerned about short term pro-fits than gaining market share-one of the classic differences between Jonaness and European (particularly British) companies. They also tended to seek entry into established markets while the successful businesses were looking out for emerging sec-

Not surprisingly the better companies were superior in research and development and large scale manufacturing efficiency, were closer to the cutsomer and had smaller workforces in relation to output. They were also more planning oriented, and en-couraged managerial entre-

preneurship.
In Search of Excellence in the UK, Journal of Marketing Management, University of Strathclyde, 173 Cathedral Street, Glasgova.

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IN THE MATTER OF RANOLER PARIS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-nemed Composy, which is boing voluntarily wound up, are required, on or belore the Ctt day of May, 1986, to cand in their full Chiestian and aurnamas, thair addresses and descriptions, full particulors of their dabts or cloirse, and the aerosa and addresses of their Solicitors (if any), to the undorsigned Kaith Oavid Goodman, FCA, of 30 Eastbourse 7 Terrace, London W2 6LF, the Liquidator of the said Company, and, if so required by notice is writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their Solicitors, to come in and prove their dabts or claims at such time and place on shall be apecified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such dabts are proved.

all proved.
Oated this 27th day of March, 1986.
K. D. GOODMAN.
Upuidator.
This notce is purely formal, All known conditors have been, or will be paid in full.

IN THE MATTER OF CRUSTY LOAF BAKERS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

THE COMPANIES ACT 1985

NOTICE IS HEREAY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 25th day of Aoril, 1986, to sand in their lui Christian and surnames, their addresses and descriptions. Juli particulors of their debts or claims, and the names and addresses of their Solicitors (ii) eny), to the undarisgined Oavid Swadan FCA, of 48 Rodney Street, Liverpool Li BAA, the Liquidotro of the seid Company, and, il so required by actica as writing Irons the oald Liquidator, ore, personally per by their Solicitors, to came in and prove their dabts or claime et auch time and olace as she'be abecified in such actica, or in default thereof they will be accluded from the benefit of any distribution made belore auch dobts are proved.

Usuadator.

IN THE MATTER OF

IN THE MATTER OF TONICMEAD LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

THE COMPAMIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Composy, which is boing voluntatily wound up. are required, on or belore the 6th day of May, 1986, to dend in their following and descriptions, full particulers of their datas or telems, and the names and addressos of their Solicitors I-1 any), to the undersigned Peter Scholey Ounn, FCA of 30 Eastboume Terrace, Landos W2 6LF, the Liquidator of the soil Company, and, if so required by notice in writing from the aid Liquidator, are, perspailly or by their Solicitors, to come in and prove that Solicitors, to come in and prove that fabre or claims et such time and place as their be specified in euch notice, of in default thereof they will be escluded from the before such debts are proved.

Oated this 25th day of March, 1986, PETER SCHOLEY OUNN, Liquidator.

T/A QUEEN STREET WAREHOUSE

NOTICE IS HEREBY GIVEN pulsuant to NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Mazting of the treditors of the above-nersed Company will be held at the offices of Lechard Curtis & Co., situated at 30 Estatopurne Terrace (second floor), London W2 6LF, ph Tuesdey the 15th day of April, 1985, at 12.00 p'clock reliddey, for the purnosas provided for in Sections 589 and 590.

Oated the 27th day of March 1986.

V. T. NASM.

Oirector.

EARLY RECEMPTION NOTICE THE YASUDA TRUST AND BANKING CO. LTD, US\$10,000,000

NOTICE IS MEREBY GIVEN in occurdance with the provisions under condicons 3 and 5(a) of the above COe
that the Bank has elected to repay the
priscipal amount evidenced by these
cartificates on 13th May, 1996.
This repayment shell be made against
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London ECJR 81H

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NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Corspanies Act. 1985. that a Meating of the creditors of the above-named Company will be held at the offices of Leosard Curils & Co., altusted at 30 Eastbournt Torrace (accord floor). London W2 SLF on Wadsesday the 9th day of April, 1986, at 10.00 of clock in the lorange, lor the ourposes provided for Is Sections 588 and 590.

Osted the 28th day of March. 1986
L. SREINOEL.

Oirectol.

TOWNSTAR PUBLICATIONS LIMITED NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act. 1985, that a Meeting of the creditors of the above-named Company will be held at the offices of Legnard Curtis & Co., situated at 30 Eastbourns Terrace (ascend floor), London WZ SLF, on Friday the 11th day of April 1986, at 1.30 o'clock in the alternoon, for the purposes provided for its Sections 589 and 550.

Outed the ZZrb day of Merch 1986

Outed the 27th day of Merch 1988. R. BORTHWICK.

MEDIA SOUND LIMITED

NOTICE IS NERERY GIVEN pursuant to Saction 585 of the Companies Act. 1985, that a Masting of the creditors of the above-named Company will be held at the offices of Leonard Curris & Co., situated at 30 Eastbourns for acc (second floer). London W2 SLF, on Friday the 18th day of Apail 1986, at 12.00 o'clock midday, for the purcosise pravide for is Sactions 583 and 590. Osted the 27th day of March 1988. R. 60RTHWICK. Oirector.

HIGHERPLANT LIMITED NOTICE IS HEREBY GIVEN pursuent to Section 588 of the Companies Act, 1985, that a Mosting of the creditors of Higherolans Limited will be held at the LEONARD CURTIS & PARTHERS.

46, Rodney Street, Liverpeol L1 9AA on Thursday the 10th day of April 1988 of 12.00 o'clock midday, for the purposes provided for in Sections 589 and 580. Octed the 25th day of March, 1986. C. L. WHITE, Oirector

CCD TELEMAIL LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section S88 pl the Corepanies Act. 1985, that a Masting of the creditors of the above-samed Company will be held at the pifices of Leonard Curtle & Co., situeted at 30 Eastbourns Terrace (second floor), London W2 SLF, os Thursday the 10th day of April, 1888 at 12.00 o'clock midday, for the putposes provided for in Sections 589 and 590. Oated the 25th day of March 1988. ALVAR P. ST. AUSYN.

Company Notices

Notice is horsby given that the Annual General Meeting of Oy Warraith Ab will be held on Monday. 28 April 1996 at 4 pm, is the Congress Wing of the Fislandie Hall, Karamzinisketu 4, Halsinki. Finland. Entrance is either from Mehrénémintus or Karamzioiskatu. The agends for the Meeting will comprise statutory reatters arising in accordance with arricle 15 of the Articles of Association and the reply given by the Board of Oirectors to the proposed resolution regarding the employment fund.

The Financial Statements and Accounts will be available to ahareholders lipr inspection during the week proceding the Annual General Meeting. The Annual Report for 1985 will be available from 18 April 1986 at the Company's Central Administration in Halsiaki, John Steabergh ranta 2 and in the Arabia-Mustalarvi shops, Pohjolassplanadi 25 and Measaefhermints 20. A copy of the Annual Report will be seet to sharoholdiers on requires.

Sharsholders wishing to attend the Annual General Meeting or requested to nonly-the company by 4 pm on 24 April 1988, either by letter addressed to Gy Wartelia Ab. PO Bos 230, SF-00101 Helainth Finland, or by talaphone on +358-0-7095 338. A shareholder con a operat a proxy to attend end vote on his behaff. To be valid, forms of proxy must reach Wartelia before the autification period expires.

Helainki, 12 March 1986 Sourd of Oirectors



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tias act yet presented for redemption.

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SWEDISH MATCH AB Annual General Meeting

denken. Augustusquarea a stockholm, Swedos. Shersholders who wish to attend the General Meeting must be recorded in the share register matasined by the Swedos Securités Exchaege Register (VPC A3) so later than Monday. April 14, 1986 and reust sobly the Board of Orectors of their intention to ottend so later than 4 pm on Monday. April 21, 1986. The notification of attendance should be mailed to: Swedish Match AB Box 16100 5-103 22 Stockholm or by telephone on: +46 8 22 06 20

DIVIDEN

-INCREASE OF CAPITAL In view of the successful nature of this operation, the underwriting was closed in edvance on 24 Merch 1938.

The lead-reenager of the operation was aarclays bank s.a. with the derucipation of the Credit industries of the Credit industries of the Credit industries of the Credit Lyonnais, the Credit Lyonnais, the Eanque Generale ou Phenix and European international securities.

This increase of copital, totalling F257,132,890, was certified by the CO3 vide number 86-80 dated 4 Merch 1988. Notification was published in the BALO of 17 Merch 1988.

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Prequalification of Contractors The Tanzania Electric Supply Company Limited (TANESCO) invites epplications from interested vendors end contracturs

prequalify as Tenderers for the several contracts forming Rehabilitation Project. TANESCO ere in the process of negotiating a multileteral loan for the Project including e mejor contribution from the Internetinnal Development Association, an efficiate of the Warld Bank. Tenderers from all member countries of the World Bank. Switzerland end Teiwan, Chine are therefore eligible to epply. It shell be noted, however, thet some contracts may be instructed to countries profession progressions refer to the progression of the countries and the progression of the countries and the countries are the countries are the countries and the countries are the c

It shell be noted, however, thet some contracts may be restricted to country-specific procurement rules, depending in the edditional sources of non-IDA financing.

There ere e total of seventeen contracts in be ewerded, covering the refurbishment of diesel engine and gas turbine generaturs sets end their euxiliaries, provision of transmission line meterials, substations equipment, metering, protection end test equipment, vehicles, the equipping of aundry workshops, the turnkey extension of three transmission substations, the provision of live-line working tools plus suitable training and provision of labour for power systems (distribution) rebebilitation work.

For further decails of the contents of each contract, epplication should be made to the Consulting Engineer at the eddress below giving the applicant's eddress, telex end fax numbers. Applicants will be provided with outline information on the proposed contracts, the cost of the Tender Documents,

numbers. Applicants will be provided with outline information on the proposed contracts, the cost of the Tender Documents, and details of the Information required to be submitted for prequalification and the programme for prequalification and tendering.

Prequelification procedures will in general be in eccordance with the FIDIC recommendations and it is a requirement thet informetion be submitted on FIDIC standard forms obtained from the FIDIC Secretariat.

Prequilification submissions are to be received at the fallowing address by 25th April, 1986.

Mr B. J. Hardy, Project Manager Engineering & Power Development Consultants Ltd Mariowe House, Station Road, Sidcup, Kent DA15 7AU Great Britain Telex: 25568 G CIVMEC - Fax: 81-300 5735 (G. 2/3 Auto)

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#### Architecture/Colin Amery

# Safety first solution to Grand problem

Nelson must be baving problems deciding which way to turn his blind eye. Trafalgar Square has become the focus of the national architectural debate. On one side there is the important extension to the National Gallery now being designed by the American architect Robert Venturi and on the other is the swelling bulge of Grand Buildings which is to be redeveloped by the property company Land the important extension to the

HER LOP

TED

ISTING ION AND

TIES

They have just announced that after a long and complex international npen architectural competition they are to build something that tooks initially almost identical to what is there already. At this point Nelson should turn his telescope back towards the Gattery site in the bope of some architectural

excitement.

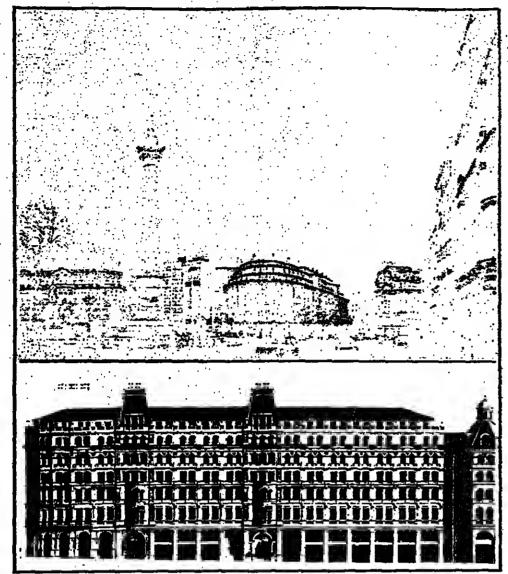
It is worth recounting the saga of the Grand Buildings site and the not inconsiderable efforts that have been made by Land Securities to find an architectural solution that will satisfy the planning authorities, the public and the Prince of Wales.

Back in July 1983 the company decided to hold an open architectural competition. This is an elaborate business. This is an elaborate business. A panel of six assessors was appointed, two laymen and four architects. Thanks to the co-operation of the neighbouring tenant. Standard Chartered Bank, the competition site was extended to almost one acre. It was not until the end of an elaborate series of consultations that the competition was formally announced in January

1985, The most satisfactory element of the process was the buge international response. There were 287 entries. These were were 287 entries. Toese were whittled down to a short list of nine. Three of these were finally offered to the Land Securities board and one winner selected.

All this competitive activity

is time-consuming and expen-sive; premiums of £10,000 were paid to the nine finalists as well as prizes for the final three. It is particularly demanding upon the assessors. The final three schemes offered the board three very distinctive options. David Allford of the YRM Partnership offered a sandstone and bronze curved block that had a prominent cornice and restrained, almost Germanic



TOP: A new galleon sails into Trafalgar Square (by Caroline Miller and James Utting)
BELOW: The winning scheme for the Grand Buildings site—a new version of the 19th century by the Sidell Gibson Partnership)

The other runner up was a scheme, illustrated bere, by a young and relatively untried practice, Miller Utting architetes, who designed an original and spirited scheme, It resembles a great ship, masted with flags flying, that sails up Northumberland Avenue to berth alongside - Trafalgar

These young architects consider that Trafalgar Square suffers from a split personality, "It is neither especially inviting nor eventful." They also feel that the lower part of the Square around Northumberland avenue is "bleak and forbidding."

Their design is certainly the top of the steem to depend upon a not-very-original glass wall treatment which would clearly need developing. There can be no doubt, bowever, that the lower part of the Square around Northumberland does not come amiss as imperial pomposity declines towards the Thames.

The winning scheme is by

ings that currently occupy the site. The winning architects say in their submission, that "The view from the steps of the National Gallery, in hazy evening sunlight, taking in Grand Buildings, Nelson's Column, Big Ben and Admiralty Arch, is ooc of the great Victorian townscapes. Because of its extreme sensitivity as part. of this panorama, and its nostal-me charm, we examined the existing structure in some In view of these considera-

architects Sidell Gibson Part-

nership, and it is a patimpsest of the Victorian Grand Build-

tions and taking into account costs and dimensions the winners propose a "reconstruction" of the original Grand Buildof the original Grand Buildings, adding an octagonal pavilion at the junction with Northumberland Street and improving the ground level areade.

As much of the stone detait has been lost, a recarving of many of the decorative elements is proposed.

Their decision to reinforce the existing archetectural qualities of the Square is brave. The original architects of the

The original architects of the 1878 edifice. The Francis Brothers, would be surprised to sec their relatively routine late 19th century commercial build-ing rebuilt as a model tate 20th century office block.

What I find bard to onder-stand is how this great Square. unsalisfactory in so many ways, has not been made the subject of a coherent planning study to effect the kinds of improveeffect the kinds of improve-ments that the capital needs. These are beyond the scope of the Narional Gallery extension and the Grand Buildings site but should be under the eye of some Nelson-like figure at West-minster City Hall.

Of course, the Square is too big and there is an appalling shortage of agreeable restaurants, places of assembly and dignified clvic uses for the area, It may not be St Mark's Square but it could be superbly transformed for the Millenium by some urban thinkers with

Grand Buildings is the safety-first solution. In our bearts we know that it cannot be right to ape the mediocre buildings of the past. Under the framework of an urban plan for the Tra-falgar Square of the year 2000 It must be possible to create some buildings that are solid im-

### Mephisto/Barbican

#### Michael Coveney

After a respectable production at the Oxford Playhouse (visiting the Round House) five years ago, and the sumptuous Is:van Szabo film version, it might have been a surprise to find the Royal Shakespeare Company reviving Ariane novel is Mnouchkine's sou Mnouchkine's 1979 play about and their faiber Thomas, the dissolution of a Hamburg Other recognisable not theatre troupe as Hitler rises

to the Chancellorship.
But this powerful Brechtian
fable is both a fascinating historical document and a para-digm of any power game where moral instinct is sacrificed to political expediency. After a slow start, Adrian Noble's proslow start. Adrian Noble's production builds to a feast of (Joseph O'Conori who commits gripping statements on the suicide, the dedicated Communist nature of democratic art. John (Cive Russell) who is beaten to death, and the converted best the Barbican has seen.

The central figure is Hendrik Hofgen (based on Gustaf Chicagonal) who leaves Ham when

Grundgens) who leaves Ham-burg to further his career at jukes.
This latter character, forcethe Berlin Opera. He walks out fully played by Paul Spence, is on the Peppermill Club, which offered the role of Student in on the respersion Guo, which oncred the role of Student in produces brutal saturical revue Foust in order to rumble Hofgen Ialthough these scenes are who is returning to Hamburg leaden beyond redemptions, as a guest star. Whereas Szabo and his black gurlfriend, whom gave us the stunning reception Cathy Tyson plays as an exotic of the diabolic actor by Gogina and there is some perky Liverpudlian Josephine Baker, in a private box, Mnouchkine Weillian pastiche music by His wife, Erika Bruckner, takes leaves him suspended and abantilona Sckacz.

up a cabarel career on his de- doned backstage, racked with parture, while her brother and the knowledge that no-one will father lament the passing order sing at his luneral. Alan Rickfor different reasons before go- man, offcring an intriguingly ing into exile. The Bruckner listless afternative to lan Me family is modetled on the Manns
—Erika and Klaus (whose 1936 ing at Oxford, intones the plangent last line of defence: "What can I do-I'm only an novel is Mnouchkine's source;

Other recognisable notables are Pameia Wedekind. Carl Sternheim (Clive Merrison is outstanding as the famous dragonics). The play offers almost limitless variations on this theme while matist berating young people for decomposing before they exist! and an alleged fusion of Carola Mr Rickman progresses, trancelike, up the ladder of fame. His career just "happens" and Neher and Elizabeth Bergner. he takes the biggest job of all because, as he says, if he doesn't somebody clsc will. There are also the heroic mar-

Apart from the duff cabaret items. Timberlake Wertenbaker's new English lext is tough and scatological, particularly good in the theatrical ser pieces of Klaus Mann's Anga ond Esther rehearsal (Fiona Shaw's clownish Erika outra-geously insinuating hereelf within Pauline Moran's nightier and the family idyll at Thomas Mann's (Mark Dignam) which drifts into an unconscious Cherry Orchord charade. The vast stage is thrillingly used

#### Triple Bill/Covent Garden

tyrs; the old theatre manager

#### Clement Crisp

like a stirring tale for girls, Thursday's programme by the Royal Ballet could well be subtitled "Antoinette Sibley to the rescue." The evening, which had begun with two pancake flat performances. Birlhdoy Offering's jewets without

sparkle; Sons of Horus lacking cancing to Chopin, that there should be an enchanting sense only the delty protective of avoirdupols to guard over its cantilenas of the choreography's rather portly cast, suddenly came to grips with ballet as an art of the thester in a state of the state of t

Witbout making it sound too leagues, with a fine sense of shape to the dance passages. ke a stirring tale for girls, drama and a crystalline account. In Viviana Durante, Vera

drama and a crystalline account in Viviana Durante, Vera of the dances. Playing Natalya gains a lively new interpreter, Petrovna as a woman barely quick in temperament as in step. concealing her feelings, her and touching at all times, character swept by summer I wish that it were possible storms of passion.

Dramatically persuasive, the role was also most persuasively with a greater sense of the individual savour of each of Arhenical structure. danced—and how right, in ton's came variations, which dancing to Chopin, that there were once lightning sketches of

art of the theatre in a most satisfying account of A Month in the Country.

In this, Miss Sibley fired the action, as she fired her col-

#### Philharmonia/Festival Hall

#### **Andrew Clements**

concerto, a classical symphony, a song cycle-just what should begin a concert that is going to end with the rowdy ebullience of Mahler's First Symphony? Returning to the Philharmonia last Thursday for the first of three concerts

record l, though he wrole another pair before his death in 1955. But as Mutl pungently demonstrated the Second, completed in occupied Paris in 1941, is a concentrated, themailcally economical structure which in the right hands can generate a

Third (a familiar coupling on that with something to spare, Muti's reading of Mahler's First is well known and well thought of. On lis own terms it is undenlably exciting—the finale proceeded through a sequence of electrifying climaxes that preserved the tension to the very last chord.

gramme-note — "within its deliberate confinement for the development of efficient models of thought which are applicable and — if striving hard — can be developed by everybody" (sic). A television crew came and blinded the andlence for part of the first movement; they part of the first movement; they preturoed to make the Bulgarian Simeon Pironkoff's Theme and solutions and placid as Sylvia.

Serie's ensemble did better Glasgow piece Burn). Maros, a stalwart of the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the Music Aller Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International Society for Contemporary Music. The Savaria orchestra, conducted by János Petró, was finded the International The Sa

it was interesting, and some of it was well played. It can be which william Weaver difficult to tell whether a really inept piece is being badly played or not.

One suspected, for example, that passages in Bruno Strobl's Septet ought to have been delivered much more dramatic ensured and wistful, but perhaps ensemble managed, but any such naive, limply constructed, informable stuff. It took informable stuff. It took longer than predicted, but otherwise fulfilled the expectations raised by Strobl's programme-note — "within its deliberate confinement for the dispersage in the swift of the state of a subject to taste.

With the Budapest Symphony Serie to taste.

With the Budapest Symphony Serie to aducted his own Calgar, which divides its three orchestral parts delicately and later reunites them for a long, luminate familiar, but exploited elegantly and honestly. In the same constitutions are familiar, but exploited elegantly and honestly. In the same consumers are studio ensemble graph and some constitutions of the International studies and placid as Sylvia.

Petrassi's Sestina d'autumno, which William Weaver to to taste.

With the Budapest Symphony Serie conducted his own Calgar, which sinews; the second was more tongbly inventive. The first distribution to taste.

With the Budapest Symphony Serie conducted his own Calgar, which sinews; the second was more tongbly inventive. The first distribution to taste.

With the Budapest Symphony Serie conducted his own Calgar, which sinews; the second was more tongbly inventive. The first distribution to taste.

With the Budapest Symphony Serie conducted his own Calgar, which sinews; the second was more tongbly inventive. The first harmonic to taste.

With the Budapest Symphony Serie conducted his own Calgar, which is part of within the same constitution of familiar, but exploited elegantly and honestly. In the same consultant of series without sinews, the second was more tongbly with the special part of series without sale.

Scolt First Light, but missed the point of Harri

Bartók's Concerto (which Excellent soloists in László replaced a Sympbony by Alain Bársony and János Edőcs, Banquart and Per Norgard's keenly supported by the Glasgow piece Burn). Maros, a stalwart of the International Society for Contemporary Music

David Murray

This year's ISCM World Music reported on Friday, Amid the rest with the symphonic reactions, and of cancellations quite a lot more contest gave beautifully reduces that weren't dead before they steen they s

Royal Philharmonic Orchestra conducted by Antal Dorati with Radu Lupu, plano. Beethoven. Royal Festival Hall (Mon). (928 3191)
Philharmonia Orchestra conducted by Riccardo Muti with Itzhak Feriman, polita Technikoshi, and Sesiahia.

violin. Tschaikovsky and Scriabin.

Royal Festival Hall (Tue.)
City of London Sinfonia conducted by
Yan Pascal Tortelier with Yuzuko
Horigome, violin. Ravel, Mozart,
Hoddinot and Beethoven. Barbican
Hall (Tue). (638691)
Antal Dorati 80th birthday concert in
the presence of Princess Anne. Royal Philharmonic Orchestra and
Brighton Festival Chorus conducted
by Antal Dorati Beethoven Raval

Brighton Festival Chorus conducted by Antal Dorati. Beethoven. Royal Festival Hall (Wed). Condon Philharmonic Orchestra con-ducted by Jesús Lopez-Cobos with Jonathan Snowden, flute and David Watkins, harp. Ravel. Mozart and Rimsky-Korsakov. Royal Festival Hall (There).

Royal Festival Hall (Tue.)

Music

—from three heavy brass.

The string quartets heard were without exception intri-

cate, frail and private; Dario Maggi's The Hidden Folds of Maggi's The Hidden Folds by Ideas sounded strongest, so far as one could judge from an imperfect tape. In a less elaborate idiom, Confus II for string at idiom, Confus II for string trio by the Russian Israeli Mark Kopytman was spare, moving and profoundly Jewish, Folk-overtones also warmed the Yugoslav Marko Ruzdjak's

#### Dominic Gill

sions. But Bishop-Kovacevich cancelled, and bis place was taken at short notice by two pianists, respectively Frankl and Peter other

Donohoe Franki's account of the D minor concerto no. 1 was well meaning and satisfyingly well prepared rather than brillian; it had a poised, perceptive pre-sence—but not much bravura,

matter. It was a shade more crudely conceived than the niemorable broadcast performance of the same concerno I

The purpose of reviewing last I found his opening movement to the surface, gain dominance. Thursday's and Saturday's a tittle overwrought with London Symphony Orchestra in the music really spring. There was a gripping needs establishing with a undercurrent of fierceness liery, to report on performances of firmer, tess self-consciously and in the scherzo, which both the Brahms piano concerts by Stephen Bishop-was touching in its directness was touching in its directness had finally uncoiled in the same qualities lended to sounds to braham operators. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which some concerts to the surface, gain dominance. like the slow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which seems to the solow uncoiling of a spring. There was a gripping needs establishing with a undercurrent of fierceness liery, and in the scherzo, which are the solow uncoiling of a spring. There was a gripping undercurrent of fierceness liery, and in the slow uncoiling of a spring. The purpose of reviewing last I found his opening movement to the surface, gain dominance. more deliberate in the finale.

Brahmsian paradox perfectly achieved. A beautiful cello solo from Douglas Cummings.

Particle of the paragraph of the paragraph

voltage electric charge.

Donohou's account of the B by Myung Whun Chung, corflat concerto no 2 was another rectly and with clear, graceful Both concerns were conducted gesture-hut with little sinew. He did not draw much of distincilan from the LSO (and no ance of the same concerno I more than a fraction of the heard him give under Sander-ling last year—but it had the same explosively honest clarity, and was driven with the same formances of Dvorak's seventh grand excitement. He plays all of the three completed the programmes were uster movements imusually decent enough, but poetically slowly — but the effect Is never limp. The halance of parts in merely deliberate: the opening the wonderful introduction to allegro is underpinned by enormous latent forces which move concerno was actually prosaic.

# Saleroom/Antony Thorncroft

#### Christie's presses on

Christie's seems defermined pared with Goya's famous push alread regardless with "Maja Desnuda," painted five sale of Goya's portrait of years earlier, in 1800. It is to push alread regardless with the sale of Goya's portrait of the Marquesa de Santa Cruz as borne's family Trusts. a Muse in its Old Master picture sate on Friday. The Spanish Government to up in arms at the auction because it

maintain: that the painting was illegally exported from Spain. The Stanish Government is still pursuing its case through the courts, and Christie's faces both a possible legal stumbling block and some opprobrium in offering the painting. It is influenced by its great rarity, beauty, excellent condition (the canvas has never been relined).

and very high potential price.

The bad publicity that the auction has engendered could affect the price of the Gova. Christie's is pulling a low estimale of £5m on the painting. but has hopes that it might exceed the record for a pain- wood House and are now being ing at auction of £8.1m, which sold by the Harewood Charait set last year when selling able Trust. The top price, in the Marquess of Northampton's

Mantegná. The painting is in the nuo- George til silvered mirrors by classical tradition of Ingres Chippendale. They cost £40 and Canova and has been com- new,

being sold by one of Lord Wim-

There is no dispule over the ownership of no less than the works by Pieter Brueghel the Younger which Solheby's is selling on Wednesday. They were collected by the Belgian businessman Charles De Pauw who concentrated on works by Flemish artisls. There is no shortage of these animaled peasant scenes — they are almost a commodity market -and prices will range from around £50,000 to £300,000.

Another good name appears at Christie's English furnitury sale on Thursday - Thomas Chippendale. It is very rare to get items from his workshop at auction and these have a most distinguished pedigreethey were supplied for Hare-wood House and are now being excess of £50,000, is expected for the only surviving pair of George tli silvered mirrors by

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Felicity Lott recital (Mon), Theatre de PAthenee (47426727) Orchestre de Paris-chamber music: Beethoven, Gounod, wind instru-ments (Tue 8.15 pm). Salle Chopin-Pleyel (4561 9607)

Hall (Thur).

rieyei (4561904) Inaki Fresan, baritone, Manuel Ca-bero Ipueyo, plano: Mozart, Schu-bert, Schumann (Tue 6.30 pm). Theatre des Champs Elysées

(47234777)
ream conducted by Pierre Boulez: Around Schoenberg, in connection with the Vienna Exhibition (Wed). Centre Georges Pompidou, Grande Salle. (4277 1233)

# Arts Guide

ditorium (4524 1516)

Nouvel Orchestre Philharmonique conducted by Eliahu, Inbal, Rafael Orozeo, Piano: Rachmaninov, Mah-ler (Thur), Radio France, Grand Au-

MALY

Bome: Theatro Olimpico (Piazza Gen-tile da Fabriano): The Age of Rossi-ni: Music by Rossini and other Ital-ian composers of the early 19th century sing by the young soprano Ce-cilia Gasdia (Wed), The orchestra is conducted by Franco Petracchi. (393304)

Milan: Teatro alla Scala; Narciso Yepez (guitar) and Nicanor Zabaleta (harp). Soler, Montsalvatge and rigo (Mon). (809126)

Rome: Oratorio del Gonfalone: (Vicolo della Scimia 1/6 – Via Giulia): twelve sonatas for fluts and harpsichord played by Angelo Persichilli and Marioline de Robertis (Thur).

#### NETHERLANDS

asterdam, Concertgebouw. The Netherlands Philharmonic conduct ed by Ken Ichiro Kobayashi, with Augustin Dumay, violin, Ialo, Ber-lioz (Tue). Riccardo Chailly conduct-ing the Concertgebouw Orchestra, with Jorge Bolet, piano, and Jard van Ness, mezzo. Berio, Ranck, Ravel (Wed, Thur). Recital Hall: Yo-Yo Ma, bello, and Patricia Zander, pia-

Ma. ceijo, and Patricia Zander, pla-no [Thur). (718345).

"Grecht, Vredenburg. Screening of Eis-enstein's Battleship Potamkin, with Edmund Meisel's score performed by the Brabant Orchestra conducted by Allan Feron (Mon). Three-mano screen has Louis van Dijl. Pim Jarecital by Louis van Dijk, Pim Ja-cobs and Daniel Wayenberg (Thur).

# April 4-10 Recital Hall: Yo-Yo Ma, cello, and Kathryn Scott, piano. Schumann, Crumb, Schubert, Brahms (Tue). Co-lorado String Quartet, with Rain de Waal, piano. Haydn, Shostakovich, Brahms (Thur). (31 4544).

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts ap-

#### NEW YORK New York Philharmonic (Avery Fisher

Hall): Marilyn Schmiege mezzo-soprano, Rudolph Firkusoy piano, Werner Klemperer narrator, New York Choral Artists directed by Jo-seph Flummerfelt, Martinu, Novak, seph riummeriest, Martinu, Novak, Dvorak (Tue); Christopher Hogwood conducting, Jeanne Baxtresser flute, Judith Leclair bassoon, All-Mozart programme (Thur). Lincoln Center (874 2424) Merkin Hall (Goodman House): Adria

Firestone, mezzo soprano recital. Granados, Barber, Ravel, Mecotti. Bernstein, Biscardi, Barab, Col-grass, DeFalla (Mon); Boston Camerata. Joel Cohen director. Spanish Renaissance programme (Tue): Yo-sef Yankelev violin recital with Dina Smirnov piano, Weioberg, Engel, L Kremen (Wed); Concerts Plus. Simca Heled artistic director. Harp programme (Thur). 67th w. of Broadway (3628719)

#### WASHINGTON

National Symphony (Concert Hall):
Mstislav Restropovich conducting.
Tucker, Haydn, Bruckner (Tue).
Mstislav Rostropovich conducting
and 'cellist' Hugh Wolff cooducting. All-Dutilleux programme in honour of the composer's 70th birthday (Thur). Keonedy Ceoter (2343716)

#### FINANCIALTIMES

Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Monday April 7 1986

# rules the EMS

common sense can triumph over political dogma and academic pendantry. The smooth and amicable realignment of EMS currencies negotiated over the weekend by the (European' finance ministers should have of EMS bas helped to lower the more than a little galling. for Mr Nigel Lawson, who, as usual, attended the meeting in Observer, since the time was "not yet ripe" for Britain to become a full member of the stability and low interest rates are supersonal to the same for Britain.

Exchange rates and interest rates and interest rates are, however, not the ultimate criteria for judging "mot yet ripe" for Britain to become a full member of the stability and low interest rates are not end; in themselves.

If past experience is any guide, the 6 per cent devalua-tion of the French franc against the D-mark agreed yesterday will lay firm foundations for another extended period of currency stability in the EMS. It should allow a gradual lower-ing of the whole interest rate structure in France, Italy aod the other high interest countries on the Continent, And it will provide an excellent back-ground for the liberal economic measures, including the lifting many exchange controls. which have been promised by the new conservative French governmeot.

#### Perverse

Compare the prospects that justify his disdain for the EMS. The Chancellor bas binted from time to time that exchange rate stability is among the principal objectives of government eco-nomic policy. The French have in effect long since achieved this in the EMS. Yesterday's 6 per cent devaluation of the franc came more than three years after the last change in parity against the D-Mark. lo Britain, meanwhile, despite the Treasury's arcane suggestions of greater stablilty, com-

panies must accept curreocy gryrations of 6 per cent as a monthly fact of life.

Lower Interest rates are another central objective of British government policy, and provided a measure of stability returns to the oil and currency returns to the oil and currency markets, the Chancellor may be able to koock a point or more off luterest rates in the not too distant future. He will not wish to uoderline, however, that French short-term interest in effect that a stable EM rates are already some 3 percentage polots below the British level, even before the further the weekend's events in Oot-declines which may follow the marsum will finally persuade weekend's realignment. There Mrs Thatcher to reject theore-are various reasons for France's tical nitpleking and embrace

interest rate policy seems to be determined almost entirely by

are not ends in themselves. Although the EMS has unquestionally been successful in creating a "zone of monetary stability" in Europe, as its founders promised, its record in terms of the ultimate objectives — low inflation and steady growth — is less clearcut.

In the seven years that the EMS bas been in existence, Europe has suffered from a profound crisia of unemployment; its economic growth has gener-ally lagged behind that of America and Japan and inflationary behaviour has proved disappointingly entrenched and

While much of the hlame for these problems cannot be laid at the door of monetary or macroeconomic policy, it must be admitted that the EMS has imparted a generally defla-tionary hias on the whole of the European economy as a result of the well known problem of all fixed exchange rate arrangements. It is always difficult to persuade the mem-bers with the strongest currencies, in this case the Germans and the Dutch, to adjust their policies in a more expansionary

Some British politicians could reasonably maiotain that this is a powerful objection to EMS membership. However, Mr Lawson and Mrs Thatcher are not among them. For much of last year Mr Lawson was making it discreetly known that he was close to being convinced of the henefits of EMS membership for Britain. In recent months he seems to bave been dissuaded again by the unreconstructedly monetarist arguments of Profesor Alan Walters of Professor Alan Walters, Margaret Thatcher's personal economic adviser, who argues, in effect that a stable EMS is

direction.

Is it too much to bope that he weekend's events in Oot-



SOME OF the best American annually, having peaked a economic analysts are having nearly \$140bn in 1983, the second thoughts about the impact of lower oil prices on the US economy. They bave been alerted by the distress signals from the oil-producing states, where cuts in investment which have already heen annovoced will reduce expenditure hy some 0.8 per cent of US GDP, before allowing for the multiplier effects of reduced the use of the multiplier effects of reduced the use of the multiplier effects of reduced to the much that the fall in investment in the US is likely to be much sharper than elsewhere. The US contains a high proportion of the highest-cost oil in the world market, either the much than the fall in investment in the US is likely to be much sharper than elsewhere. The US contains a high proportion of the highest-cost oil in the world market, either the much than the fall in investment in the US is likely to be much sharper than elsewhere. The US contains a high proportion of the highest cost oil in the world market, either the much than the fall in the secood thoughts about the multiplier effects of reduced employment and coosumer confidence in the hardest-hit areas. In Texas, for example, car sales have fallen by 60 per cent in the initial recoil from the oil price shock.

proportion of the highest-cost oil in the world market, either in costly secondary stripper wells or inaccessible fields such as the Alaskan North Slope,

Guesswork

This has led to a growing view that the initial impact of the oil price shock will be deflationary, rather than stimulate the US economy, although it is still believed that the effect of reduced prices on real consumer spending power will give a net benefit, pointing to strong growth in the second balf of

growth in the second pair of the year.

However, Morgan Guaranty, taking a more Olympian view of the whole economy, reaches a still more aober conclusion; aince the US was producing some two-thirds of its domestic oil requirement hefore the price fall the main effect of the fall, the main effect of the change is to shift real income from one region to another rather than to increase the total It should be stressed that neither of these analyses means that the US oullook is gloomy. as seen by these forecasters; it means simply that the contribution of lower oil prices will be much less dramatic than the market reaction might suggest. The Morgan Guaranty analysis, for example, suggests that the impact of the dollar's inter-national decline will be up to five times as great as that of the

lower oil price. It may seem strange that US analysts have taken some months to make such seemingly obvious many prudent companies calculations; but in fact they are far ahead of their rivals in adopting a wait-and-see are far ahead of their rivals in other narts of the world. Next to nothing is known about the impact of the fall in oil prices—and of greatly increased uncerand of greatly increased uncertainty about future price trends
—on investment patterns in other oil producing areas. Since oil investment globally is still asking the right people the oil investment gloually is still asking the rig running at some \$100bn right questions,

changes involved are not trivial. They could, for example, quite

In other fields, reactions will vary widely. Io the North Sea, despite its high costs, lead and development times are so pro-tracted that any impact is likely to be damped as existing projects are completed, and some developments aimed at lower costs may even be accelerated. The outlook seems to vary from project to project and from company to company.
Equally little is yet known for any country about related investment impacts—in power generation, for example, or the rate of civilian air fieet replacement.

ment.

For the time helng economic officials seem simply to assume that any falls in energy-related investment will be more than offset by rises in investment spending in response to enhanced consumer spending. Here again, though guesswork may prove a goor guide. Investment decisions are made in response to views about the future, and not just to current market conditions—esnecially at a time like the present, when many major industries are many major industries are suffering from gross over-

The future outlook for oil nrices — and thus for the dura-bility of any stimulus resulting from their fall — is extremely uncertain at the moment, and

cunhoria.



The devaluation of the French franc is the first major realignment of the EMS since 1983. David Housego reports from Paris on the implications for the new Government and Rupert Cornwell discusses the reaction in Bonn



# Common sense More leeway for Mr Chirac

bave such a frail majority in the National Assembly that over the coming months it will be navigating under the continuing threat of a snap parliamentary or presidential election. It is in this context that vectorially described on the yesterday's devaluation of the franc against the other currencies in the European Monetary System (EMS) brings the Government two main advan-

The first is that for the foreseeable future it removes the danger of further attacks on the currency that would have damaged the credibility of a cooservalive administration. The renewed build-up of pressure on the franc oo Wednesday and Thursday—the third week running in which there bas been rumbling in the foreign exchange markets since the March 16 poll—was a signal to the Government that it would have no chance of implementing its programme of economic liberalisation if it had to face an exchange rate crisis every

Hence the unilateral French decision on Thursday to balt interventioo in support of the franc, which forced France's European partners to agree to immediate re-negotiations on a currency realignment.

The aecond main advantage for a government that believes ita electoral prospects will be largely determined by its success in creating jobs is that the realignment will provide some stimulus to exports and investment - and hence to employment. The French were not seeking a petitive devaluation. And the per cent depreciation against

IF PRECEDENT is anything to go by, the modest EEC currency realignment of this weekend will make small difference to West Germany's immediate economic pros-pects—and that is exactly as the centre right coalition government here would like

France may just have come out of a general election, but Chancellor Helmut Kohl, under investigation in the "Flick" political payments affair and hardly admired for his qualities of leadership, is facing one of his own in barely nine months, and his strongest argument for a second term is his country's ever-improving economic per-

By general consent, the Ootmarsum package should do little to damage it. The net 6 per cent adjustment between the mark and the French franc was in line with every expectation here. The overall impact of the realignment ment translates into a 2.9 per cent revaluation of the

invest in Britain

By general consent, the

French administration of to be less, does not amount to one when compared with the cumulative 12 per cent difference in France's and West the coming months it will 1983.

give more buoyancy to French exports of manufactured goods which rose last year by only 1.8 per cent in volume terms com-pared with a 9.8 per cent in-crease for Britain, in part be-cause of the overvalued franc. It will also enable the Govern-ment to cut real interest rates which at historically high levels of 5 per cent on short-term

The first sign of this should be the Bank of France's lowering its intervention rate—the leading money market rate this week from its current level of 84 per cent. But the scope for significant cuts has been sharply reduced by the stiff monetary target for this year announced yesterday by Mr Edouard Balladur, the new Minister of Economy.

money

Monetary growth this year is to be limited to under 5 per cent after a period of overcent after a period of over-shooting last year when M2 seize on this yesterday when ne expanded by 7-8 per cent attacked the Government as against a target of 4-6 per cent having "renounced the fight mackaga of against inflation as the priority Yesterday's packaga of economic measures which accompany the devaluation announcement measures, including a substantial lifting of

exchange controls, will he elaborated in Mr Chirac's statement of policy before the National Assembly on Wednesday. But the burried devaluation has clearly stolen some of matic 0.7 per cent Mr Chirac's thunder.



some of his thunder stolen

in inflationary expectations. Mr this downward spiral could be Pierre Beregovey, the former Finance Minister, was quick to seize on this yesterday when he of economic policy.

The French have been rubhing their eyes in amazement to find that inflation could fall to 1.5-2.0 per cent this year after 4.7 per cent in 1985 and over

With the devaluation feeding back into the pipeline an auto-matic 0.7 per cent increase in Ir Chirac's thunder.

the consumer price index in a The major risk of yesterday's full year and with other aspects devaluation is that it could put of the Government's programme a stop to what was the main such as the lifting of price con-

Given the structural weakness of the French economy as reflec-

ted in France's declining share in world trade in manufactured goods, another risk is that the level of imports will not be checked. Notwithstanding. a modest 1.3 per cent growth in GDP last year, imports rose in volume terms by 4.7 per cent after a 2.3 per cent rise in 1984 and a 0.6 per cent decline in

The accompanying measures are intended to avoid the dangers to inflation and the trade account, Mr Balladur has set target of holding inflation down to 2.3 per cent by the end economic achievement of the trols also having inflationary of the year. Salaries for public socialists—the sharp reduction consequences, the risk is that employees will not be increased

this year beyond the 2.7 per cent increase in wage costs that is already in the pipeline. Almost FFr 15bn of savings are to be made in public expenditure this year — equivalent to 10-per cent of the anticipated budget deficit left by the socialists.

On top of this it is possibla that in the supplementary budget to be presented to the National Assembly in 10 days, the Government will go further in squeezing household purchasing power by increasing social security contributions to help security contributions to help cover an estimated FFr 24bn deficit in the social security fund this year.

But ministers will have a bard time pushing too far in the direction of what Mr Balladur called yesterday "severity." called yesterday "severity."
The Government is dependent
on trades union acquiescence
for other elements in its programme designed to increase
productivity and reduce the
rigidities in industry
The need to build down house

hold purchasing power is all the greater because of the inflationary consequences in other aspects of the Government's programme. Mr Balladur confirmed yesterday that price controls in general would be lifted to strengthen corporate profits, while giving himself some room for manoeuvre by saying that price freedom will in future be "the rule." The Government is also expected to increase public utility charges to help curb public sector deficits.

Mr Balladur did not spell out in detail yesterday the full macroeconomic consequences of the devaluation—indeed it was so hastily decided that French officials-left for the Netherlands on Friday without

devaluation, tha French treasury had been looking to a 25 per cent growth in GDP this year with inflation falling to 1.5-2.0 per cent and the trade account, moving to a FFT 30bn surplus, compared to a FFr 24bn deficit in 1985. This was on the basis of a parity of FFr 7.50 to the dollar and an international oil price of \$20.

But even before the weekend meeting, the BIPE, the private French forecasting institute, had allowed for a 5 per cent devaluation in its calculations as well as for the lifting of price controls and the raising of public sector tariffs. On these assumptions—and with a dollar at FFr 6.90 and an oil price at \$18.50—the BIPE calculated that inflation could still be held to 22 per cent by the end of the year and that the trade surplus would reach FFr 45bn. But the BIPE also believes that investment and exports will continue to be hesitant,

In political terms the devaluation nonetheless points to an earlier election rather than a later one — in that the economic indices are likely to be better this year than in 1987 when the impact of the decline in the dollar and of oil prices an the balance of payments is likely to be less.

The real question for indus-try lies not in any short term boost that the devaluation might give to exports (the last two devaluations have failed to halt the decline in France's share in world trade in manufactured goods). It lies in whether the rest of the Government's economic package to be outlined by Mr Chirac on Wednesday will, over the long term, strengthen French investment and industrial competitiveness. minister, will wage a tougher

# and Mr Kohl's little 'sacrifice'

German currency against its partners in the European Monetary System (EMS), and one of only 1.2 per cent on a worldwide basis, according to calculations from the economics ministry. Scarcely the stuff to destroy the competitiveness of German .in-

Indeed, Bonn may be said to have acted out of en-lightened self interest. A ent in its trade surplus with France—DM 14.7bu in 1985. accounting for precisely half of its surplus within the 10nation, pre-enlargement EEC
—will serve the political
cause of greater balance
between the economies of the At the same time, circum-

stances could hardly be more favourable for such a "sacrifice," if thus it may be described. A revaluation of

the mark within the EMS has been built into most economie forecasts for 1986. Yet during the period up to the January 1987 election, the benefits of falling oil prices will probably outwelgh any loss of export competitiveness. suffered through a more expen-

Import prices are some 10 per cent less than a year ago and the trade surplus may DM 73bn by DM 10 bn ormore. Such projections, in the shorter term at least, are less likely to be neset by Ootmarsum than by a recovery in the oil price or a new plunge by the dollar. In the meantime the steady

sive currency.

economic recovery since 1982, the proudest boast of the pre-sent government, continues. Cautionaly, Boan bas up-graded its prediction last antumn of 3 per cent real

growth in 1986 to nearer 4 per cent now, against the background of virtual price

The advantages of cheaper oil will not last for aver hut lower import prices should flow from the latest revalu-ation and help keep the lid on infiation until the effects of stronger domestic demand and the higher wage settle-ments feed through later in

Until then, however, it is hard to argue with the end-less assertions of Chancellor Kohl's spokesmen that 1936 will be a vintage year for the West German consumer,

The Government's original

The Government's original plan was to inject DM20bm into the economy by means of a two-step package of personal tax cuts, this year and in 1988. In the event cheaper imports, thanks to a mark revalued against the dollar (not

rencies) and the collapse in the oll price, could, when taken with the first tranche of tax cuts, add no less than DM70bn to domestic demand

Such an outlook indeed adds slightly more credence to hopes that unemployment might finally decline a little from the 2.2m level at which at has stuck obstinately since 1984 and even a court root. in the right direction would be electorally helpful to Mr Kohl in the run-up to next January.

On one front, however, there could be trouble. The currency alignment will suto-matically be passed on to Freuch farmers in terms of higher frame-denominated after the revaluation of the mark. Mr Ignaz Kiechle, the West German agriculture

minister, will wage a tougher fight than ever to thwart the commissions designs to cut EEC farm prices for the forthcoming season.

The disgrantlement of the farm lobby, natural supporters of the Chanceller's ruling Christian Democrat party (CDU), is a heavy shadow over the electoral prospects of the CDU in the all-important June election in the agricultural state of Lower Saxony.

Ter that reason, the revaluation may well presage yet

lustion may well presage yet more difficulties when the agriculture ministers of the on April 21.

Clearly sensing trouble ahead, Mr Riechle yesterday renewed his promise to Gorman farmers — and in particular to those of Lower Saxony — that national subsidies would be on their way, should the Brussels talks in a fornight fail. In comparison the 36-hour tussle over partites in Ootmarsum may well appear — simple well appear a exercise.

#### **Men and Matters** Christopher Priston, a civil

Christopher Priston, a civil servant with rare experience of sales and marketing in industry, today takea over the job of persuading foreign businesses to continue to iovest in Britain. Priston, 47, succeeds David Harrison-Harvey—who is returning to IBM after a two-year secondment—as head of the Department of Trade and Industry's 40-strong Invest in Britain Bureau. Britain Bureau.

The unit promotes the UK as a location for investment, working through the diplomatic service abroad, with the DTI's regional officea in England, and with the Scottish, Welsh and Northern Ireland development bodles, at home.

Priston takes over at a high

point in the bureau's fortunes. A £1m "Britain Means Business" campaign last year raised the number of foreign Inveatment projects to 892 com-pared with 738 in 1984. A record number of US companies put down roots in Britain—158 compared with 134 in 1984. "Over 40 per cent of US direct investment in Europe is located in Britain." Priston says.



"I'd like one of these jobs that'll nurture, stimulate and excite me that Sir John Harvey-Jones was on about"

third of the total of Japanese investment as well."

Competition for US and Japanese investment, in particular, is going to become fiercor, be balletes.

with our company name on them." says Sbaw.

Real gold, with oil prices at these levels? "Of course not." says Sbaw. "What do you take the balletes." lar. is going to become fiercor, be believes.

Priston, who joined the civil service in 1973 after a businesa career that included 10 years with Fisons and Courtaulds in a variety of jobs from markat research to export sales, has recently been responsible for the DTI's regional series and the DTI's regional assistance schemes.

He is aware that the efforts to attract foreign investors are not always popular among British industrialists. But he says: "British industry recognises that it has to compete with them anyway, and though it may not he very comfortable at first to have the minimum to the compete with them anyway, and though it may not he very comfortable at first to bave them sitting next door, it is better to bave them bere, rather than elsewhere competing with us."

Oil price

With oil at \$10 a barrel, the days are long gone when oil companies fell over themselves to bid millions for the right to explore in strang, new terri-Things, in fact, seem to bave

Shaw tells me that he has

saya Sbaw. "What do you take me for, an idiot?"
Having backed his way ont of the Papuan jungle. Shaw at the weekend fired off a letter to Goal Petroleum, in which be recently built up a 12 per cent stake, asking for a seat on its beard. Shaw asserts that his presence

"will lend weight to Goal's board." Since he tips the scales at over 20 stones, there is no arguing about that.

Chipping in

Stanford University, the Cali-fornia educational institution which enjoys such immense prestige, has just been endowed with its largest-ever gift from an individual William Hewlett, the electronics manufacturer. has pledged \$50m to the university, which is celebrating its centennial next year.

Of Hewlett's gift, \$40m will so towards the \$250m cort of

go towards the \$250m cost of developing new science and engineering facilities at the university. The other \$10m is returned to an earlier age when to be used as matching the basis of negotiation was "I funds." For every \$3 in scholar-give you head a you give me ship and educational support land." or so it would appear from the will donate \$1. The university American chairman of the UK. Scholarship money in its cen-quoted oil company, Premier Consolidated Oilfields.

Will donate \$1. Ine university that set a target of \$40m in scholarship money in its cen-tennial campaign.

Hewlett, who gradoated from

tennial campaign.

Hewlett, who gradoated from
Stanford's engineering school been given exclusive rights to
explore 1.3m acres in the Gulf
of Papua by the minister for
minerals of Papua New Gulnea.
And what did Premier give in
return? "Twenty-four gold pens for the future so that it will

continua to benefit acciety through educating promising young people and performing research essential to the progress of mankind." While at Stanford, Hewlett met his future business partner,

David Packard, an engineering classmate. They formed the partnership in 1939 which grew into the Hewlett-Packard corporation. Hewlett is now vicechairman of the company, and owns more than \$300m in company stock.

#### Share float

One of the more exotic of the London Stock Exchange's moveable assets made her debut over the weekend. Crusader, first of the 12-metre yachts in Britain's America's Cup challenge, sailed for the first time off Perth, Western Australia.

Western Australia.

Alone of the 18 syndicates contesting the Cup, the British team took the route of floating a public company to finance the challenge. The floation raised slightly more than £3.3m earlier this year—75 per cent of the total hndget.

"It is a slightly odd feeling having abareholders," said skipper, Harold Cudmore, who, though suffering from food.

though suffering from food poisoning, handled the in-augural sail. "Tell them that we are using the resource in the best possible way—and the weather's lovely."

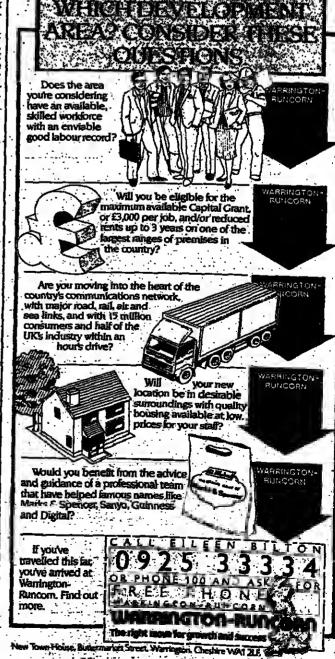
Hello, and goodbye

A touch of irony from the minutes of a meeting of the Confederation of Industry's economic and finance policy committee of March 20, circulated at the weekend. "Chairman, Sir Kenneth Durham," the minutes record,

the committee, Mr. Wark Souhami." Two weeks later, Durham, chairman of Woolworth; found-himself rejecting a takeover bid from Dixons, where Souhami is chairman of the retail division.

welcomed a new member of

**Observer** 



هكذا من المرعبل

## Robert Graham reports from Brazil on reaction to the 'Cruzado Plan'

usnally reserved for football generate sufficient resources to teams and TV soap operas, not accommodate debt service obligations more easily.

The government is clearly to the covernment is clearly to the covernment of the covernment of the covernment is clearly to the covernment of the covernment of the covernment is clearly the covernment is clearly the covernment is clearly the covernment is clearly the covernment. is basking in a glow of popularity since the introduction on February 28 of the "Cruzado Plen." In the past few weeks the Initial success of this atabilisation programme has raised hopes that Brazil may have turned its back on more than two decades of high infla-

af a [4]

tree

Gulf

is now

L.

"We are very pleased with the public response which has surpassed our best expecta-tions," says Mr Fernao Bracher, governor of the central bank.
"People have taken seriously
the idea of zero inflation." Whether in the corridors of ministries in Brasilia, in board ministries in Brasilia, in boardrooms in Sao Paulo or the
beachea of Rio de Janeiro where
even ice-cream sellers claim
pegged prices, there is a palpable sense of optimism and a
resurgence of nationalism.
Hardly anywhere else in Latin
America can one find such confidenre in the future despite the
continuing difficulties of coning continuing difficulties of coping with a foreign deht of \$105bn. The Cruzado Plan centres on the de-indexing of the economy, a temporary price freeze, raising wages and then freezing them, and a substitution for

them, and a substitution for the cruzairo of a new currency, fidence to him after the tragic the cruzaido (1 cruzaido equals 1,000 cruzeiros). It is similar to the Austral Plan introduced by President Raul Alfonsin in Argentina last June. But despite an element of crossfertilisation, Mr Dilson Funaro, the Finance Minister, says emphatically: "It has been made hy Brazilians for Brazilians."

Brazilians transferred their confidence to him after the tragic death of President-elect Tancred Neves, but since taking office in March 1985 he has seemed like a lame duck. Yet almost overnight, by acting with political courage, Mr Sarney has become master in his own house.

This newly acquired authority means that Mr Sarney's centreright faction within the main

means that Mr Sarney's centreright faction within the main party, the PMDB is strengthened at the expense of the left. This sation is being introduced in Brazil after a year of exceptional growth and with inflation approaching 400 per cent a year. In Argentina, the Austral Plan cama after more than three years of recession and with inflation soaring beyond 1,000 per cent.

means that Mr Sarney's centreright faction within the main party, the PMDB is strengthened to expense of the left. This will have significant repercussions on the November elections for the constituent as well as the constituent and the constituent are democratic constitution.

Left-wing politicians and church activists already believe the chances of a liberal consti-

beyond 1,000 per cent.

The key test for the Brazilian plan will come later this month when the most organised trade union, the metalwurkers, is due to bold its annual pay talks. Foreign observers believe it is too soon to share the general sense of Brazilian optimism.

Indeed, privately it is admitted that 20 per cent annual inflation would be a success. The aim is to achieve 4 per cent growth (against last year's g.3 per cent) so that the economy is poised for a rapid take off on low inflation in 1987. In such conditions Mr Funaro sees no reason why Brazil caunot attract annually between . President Sarney is still refus. Funaro, who persuaded him \$3bn and \$4bn in foreign invest- ing to hold direct presidential that deindexation of the

The government is clearly prood of the absence of the International Monetary Fund in the formulation of the Cruzado Plan. The fund's exclusion is partly for public consumption since the IMF has been kept informed (post fucto) but it also reflects genuine conviction that Brazil's economic performance should be judged on its own merits. An economy of 135m persons that manages to generate the third biggest export surplus in the world of \$12.8bn deserves consideration.

This is the messaga members of the Paris Chub are expected to get later this month when preliminary talks begin on Brazil's \$80n debt with western governments. It will also be pointed out that international interest rates and the price of oil are falling. Three years ago Brazil spent over \$90n on energy imports. This year the bill will be \$40n and Brazil can afford to cut both its oil exploration and its alcohol substitute programme,

The popularity of the plan owes much to the unexpected resolve of President Samey. Brazilians transferred their con-

ution have been undercut by Mr Sarney's popularity and the Cruzado Plan. According to a spokesman for the Brazilian bishops' conference, the economic measures "tend to institutionalise social injustice with income differentials untouched so that 5 per cent of the resultation still own 30 ution have been undercut by of the population still own 30 per cent of the population only 18 per cent."

However, Mr Joso Sayyod, the Planning Minister, argues juncture.
that income distribution can Mr Sarney has been greatly
only be tackled once the belped by his popular and
Cruzado Plan is in place. trusted Finance Minister, Mr



# A new glow of confidence

etections along with the November assembly and state elections on the grounds that his office is constitutionally legal and that Brazil is not yet ready for a possible presidential change, The same view is shared by the military, who are playing a discreet backstage role.

In cruder political terms Mr Saroey is out to deny the political aspirations of the charismatie left-wing governor of Rio de Janeiro, Mr Leopnel Brizola, who is the most outspoken critic of the Cruzado Plan. Most analysts feel Mr Brizola has lost out by criticis-ing the President at this juncture.

Mr Funaro came from the private sector where he built np a successful husiness in plastics and toy-making. His business knowledge has helped convince the private sector that be will respect their interests. This, to, bas been a valuable to, bas been a valuable attribute because the private sector remains nervous about the length of the price freeze and the Government's willing-ness to stand firm on trade union demands. According to Mr Funaro the price freeze is indefinite but "we want it to be as temporary as possible." He has suggested some relaxation could come next month if, as is hoped, prices prove to have fallen in March and inflation is zero for April.

zero for April.

The price freeze is bolding with few abuses. But there are Another important element has been the curbing of the state-run

cost increases (like inflation via from the central bank, imported components, credit, According to Mr Bracher, this and improperly adjusted prices uncontrolled credit window prior to February 28) are not passed on to the public. This has led to a tough behind-the-scenes battle between suppliers and manufacturers over who absorbs the cost

In the motor industry, for instonce, parts producers and manufacturers are arguing acrimoniously, and some suppliers have withheld paris. In the contracting business widespread confusion prevails. According to Mr Helio Beltrao, president of the state controlled oil concern. Petrobras, the company has 31hn worth of contracts in dis-pute as a result of the price freeze. Last month Mr Funaro declined to intervene when re-presentatives of the motor manufacturers sought his arhitration. "He expects us as a parriotic duty and as a maner of nrinciple to solve our own prob-lems, and 1 guess this is what we will bave to do," commented

In an atmosphere of mistrust towards the Government these disputes could have already undermined coofidence in the undermined coofidence in the plan. Furthermore it is remarkable that the banking sector, one of the most powerful interest groups in the economy should remain publicly tranquil when it is the princinal casualty of de-indexation. "A large part of bank profits arose from inflation and this has ended." says Mr Funaro. Banks relied heavily on index-linked bonds which were adjusted monthly to a consumer price index, hut as a counterpart one third of the fiscat revenue of Brazil went to pay interest on these bonds.

The value of Treasury bonds

The value of Treasury bonds with maturities of less than one with maturities of less than one year has been frozen until March 1987 and indexation abolished. Brazilian banks, over-hranched and overstaffed, will have their profits squeezed. This has been reflected in bank shares. While the Rio and Sao Paulo stock exchanges have witnessed record turnovers since nessed record turnovers since February 28, bank shares have fallen back between one third and a half.

The banks, though anxious about their balance sheets, are reassured by the technical detail with which the Cruzado Plan has been prepared. Mea-sures, like fiscal reform accelerating corporate tax payments introduced in December, which seemed isolated moves now emerge as part of the grand

serious problems to be Banco do Brasil. The latter has resolved. An unwritten principle has been established that credit without prior authorisaaccounted for a "substantial" amoun: Of the increase in Brazil's money supply.

The Government will also be able to keep better track on expenditure by the unification of its three previous budgets (monetary, federal and stateowned companies's under a newly created Secretary of the Treasury, Mr Andrea Calabi.

An integral part of forward planning has been a careful monitoring of prices in the six-month period up to the package, Having learoed from Argentina's experience that it was damaging to increase prices 100 beavity before the freeze, the authorities did their best to avoid that.

Despite all this planning, officials freely admit they do not know if the public sector

deficit will work out on larget at 0.5 per cent of GDP. There will be lax gains from inflation but these could be offset by the need to pump in more subsidy need to pump in more subsidy to the state-run utilities whose prices, crivics fear. were not properly atigned before the freeze and cannot he heavily increased too ouickly after it is over. The debts of the state-run companies account for over one-third of all foreign deht.

The Government is most ner

vous on the wages front. Under a comptex formula, wages were increased in the plan by an average of the previous six months plus 8 per cent and then frozen for a year. Under pressure from the unions and the Labour Ministry, President Sarney in mid-March conceded a form of indexation, much to the dismay of employers. Wages are now automatically adjust-able to a minimum of 60 per cent of Inflation. At the same time a primitive form of unemployment benefit has been introduced. Together, these two moves have undercut the trade their potential demands in wage negotiations this year,

Concessions to the unions and the populist flavour of the Cruzado Plan contrast aharply with the conservative com-plexion of the President and his advisers, and Mr Sarney's populism risks pushing him into areas of reform where be has already shown himself reluc-

Yet if the plan is successful, he will be obliged to address bimself to Brazil's social inequalities. Curiously, it is the problems of success rather than those of failure which are worrying the Brazilian establishment.

#### Lombard

# Unpopular capitalism

By Michael Prowse

employees. That was bad enough. Now he is suggesting we should spoon out the profits to them as well. I assume that as a chief executive of long-standing you take as dim a view as 1 of this weird new "profit-sharing" idea. If this is capitalism, I wonder wbether I can continue to support it: 1 always ibought that mass owner-thing of the many of products.

ship of the means of produc-tion was a socialist doctrine. Surely, the time has come to re-establish an understanding of the very distinct rotes of a comworkers, managers and workers, As shareholders, the owners must, hy definition, have an unassailable right to all the profits—the surplus generated after meeting all the costs of production. There can be no question of sharing the

proceeds of risk-taking with anybody who ia not a risk-taker. I therefore oppose profit shar-ing even for senior managers, who ideally should remain the

anything else and its price—
the wage—is set in the market
place. In any given year
workers should he paid the
market rate—sufficient to keep them but no more. The idea that their remuncration should depend even partially on the shareholders' profits is absurd, Should what I pay for raw materials also depend on my company's overall profitability? Should I tell my suppliers that market prices are irrelevant and that I will not know how much to pay for 1,000 tonnes of copper until the accountant nresents the end-year results?

Imagine the ensuing chaos.
Quite bonestly I cannot see
what meaning the term profits
will retain if the cost of inputs
becomes dependent on the over-

what is this fellow Nigel labour. It is important, after Lawson up to? First he said we should give shares to our employees. That was bad enough. Now he is completely the said becoming entrepresent the said of be able to rely on a stable wage. It would be quite unfair if the risk-takers - the sharebolders were able to make the workers pay, through a lower profit share," for their mistakes.

I accept that there is nothing wrong in principle with employee sharehotders — anybody should be able to buy into a company. There may, however, be conflicts of interest: employee shareholders are unlikely ployee shareholders are unlikely to take a totatly disinterested view of labour as a factor of production: they may be tempted to purchase too much or pay it too highly. But to give, as the Chancellor seems to suggest, workers who are owners a share of profits is far more dangerous, if not contrary to natural justice.

Shareholders, as owners, have

Shareholders, as owners, have the power and right to influence the size of profits (at least they would if managers like yourset salaried appointees of the Rodncy did not continually owners. The notion that profits a should be shared with the workers is little short of and take a view about expensional should be shared with the usurp their position): they can veto acquisitions, sack directors and take a view about expensive investment plans. Workers intellectually incoherent.

Lahonr is a commodity like anything eige and its price—

anything eige and its price—

completely claim them once a completely naturally claim them once a significant part of their remuneration becomes dependent on profits. In no time at all, in order to "supervise" the earning of profits, they will be demanding seats on the board.

The attempt to merge the place of comment managers and

roles of owners, managers and workers is bound to end in tears. It will not reduce un-employment. This occurs because employed workers already bave too much power and insist on pay ahove market clearing levels. Giving them a share of profits will not reduce their power (it may enhance it) and will not therefore reduce either their total remuneration or unemployment, 1 close, Rodney, by urging you to join me in a campaign to shoot dawn these crazy proposals. Even a Labour Chancellor would think twice about wasting taxpayers' money in an attempt to dilute shareholders' rights.

Yours ever,

#### Taking care of the tourists

From the Director General, Sir,-I tefer to your article on Sunday trading (March 29). Last year this country wel-comed nearly 15m visitors from ahroad, who spent £6.7bn British people spent a similar sum on bolidays and leisure trips in this country. There is now increased recognition, both of the major contribution which tourism makes to the economy and of the increasing numbers of johs this fast-growing industry provides — 1.4m, growing at the rate of some 50,000 a year.

Worldwide competition however, to attract growing tourism is fierce, and Britain's continuing success will depend npon overseas visitors and British people on holiday here being provided with what they want at a price they are willing to pay — and when they want it.
It is, therefore, very important
that shops should be free to
serve holidaymakers during the eveoing and on Sundays where there is a demand.

The special needs of tourists The special needs of tourists and holidaymakers were recognised as long ago as 1936 when legislation provided for Sunday trading in "resorts" for a period of 18 Sundays. This was then the extent of the aeason, hat resort areas and seasonal flow have altered greatly (the list of items which could be sold as an inches in 1936 is Inadequate suitable in 1936 is inadequate now). The range of articles is totally unrealistic, for example permitting sales of postcards but forbidding sales of the Bible. Scotland has traditionally enjoyed Sunday trading at levels responding to public demand and public opinion. Surely neither resort trading nor the Scottish experience has led to the erosion of church-going or adverse change in the nature of the traditional "Sun-

The changing nature of our toorism requires flexibility and freedom of choice on the part of the trader and the traveller. An enormous growth in selfcatering means that late on Saturday evenings thousands of families arrive at the holiday destination needing a supply of services that night or on Sun-

In many places the law is openly flouted since the provisions in no way respond to a genuine public demand. We have to bear in mind as well the requirements of our foreign paying guests, increasing in

#### Letters to the Editor

on importing foreign goods and services. Free trade is welcome but we are foolish indeed if we do not try to attract as we could, thousands of foreign visitors to our resorts to go

could, thousands of lovely visitors to our resorts to go "weekend" shopping for British goods, which we know from experience are very competitive.

To build on the success already achieved by our tourism industry and to meet international competition in the years ahead, we believe that the industry should be freed from industry should be freed from outdated restrictions and allowed to respond to the leisure needs of today. L. J. Lickorish, 24 Grosvenor Gardens SW1

Living over the shop

clean."

From Lord St Oswald Sir,—I refer to the article by Colin Amery (March 29). headed "Heritage — spring

However much research Mr

Amery carried out before writing this article there is one ing this article there is one paragraph in which he makes a completety unsubstantiated statement regarding succeeding generations remaining in houses which the family has previously gifted to the National Trust.

I can assure Mr Amery that it is not the policy, and I am sure never will be, of the Trust to "encourage the occupants of those remaining in family wings to face life in the real world." those remaining in ramily wings to face life in the real world." It is not clear at all what is meant by the words "to face life in the real world" but possibly it is an inference that

possibly it is an inference that the families are living on NT charity. Nothing could be further from the truth. When a family presents its home (and sometimes also the works of art contained within it) to the NT a large sum of money is also given as an enmoney is also given as an endowment to maintain the gift in the years to come. The NT makes it quite clear that should the endowment at any time produce insufficient revenue to support the house it would be under no abilitation to find under no obligation to find the shortfall. When such a situa-tion occurs it is therefore up to

the family to produce more en-dowment money or to back ont and allow whatever conse-quences might follow. number year by year, who must be offered facilities and services equivalent to resorts in competitor countries.

Millions of British visitors go
Millions of British visitors go
Thousands go for weekend shopping trips, spending money

quences might follow.

Families constitute as much benefits of contracted out plans are adequately secured, whereas the Superagnuation Funds Office will be attempting to limit the contents themselves, since without the family influence none of them would have existed. In general far more interest is although a ratio of 105 per cent shown by visitors to a house has been stated, precisely what

adopt the policy, which Mr Amery would appear to be ad-vocating, of "Bleed them dry and then get rid of them" it could happen that the worst sufferer would be the British Heritage. Whatever options a prospective donor would be faced with, the one that might be most acceptable would be to sell to the highest bidder and get out, because in two or three generations the family would no onger ha in residence anyway.

These are reasons enough for allowing families to remain in residence as long as they might wish to do so and the NT is an organisation that respects and honours its obligations to those who have made the mitts Why who have made the gifts. Why should a succeeding generation he encouraged to leave? St Oswald. Nostell Priory, Wakefield

Pension fund surpluses

From Mr K. Jecks Sir,-I was interested to read Mr Wallace's commenta (March 20) on the Chancellor's atatement about pension fund sur-pluses and although I agree with many of his views, some clarification is required.

The Chancellor's atatement

was imprecise since although a method of valuing the liabilities was outlined, the method to be used in valuing assets was not. Mr Wallace appears to have assumed that assets will be taken ar market value, which would certainly cause severe difficulties as these fluctuate. In practice, most actuaries recognise this and value assets on a basis consistent with the liability valuation. This results in a much less volatile progression of surplus from valuation to valuation. It is essential that the regulations stipulate an asset valuation method that recognises this potential difficulty.

The Occupational Pensions Board's principal concern is really to ensure only that the guaranteed minimum pension

this means remains unclear). GMP benefits commonly account for around one-half of the total accrued liabilities of contracted out plans, so the problem of their opposing roles is not necessarily as severe as Mr Wallace fears.

Indeed, the objectives of the SFO and OPB have always been essentially contradictory and to that extent little has really changed. The Budget statement at last clarifies the until now unpublished rules to be followed by the SFO, and will probably cause plan sponsors to exercise closer control over their contri-butions. I believe this to be good thing and broadly welcome the overall thrust of the

Reith M. Jecks, Reeves Brown Associates, Prince Consort House, Albert Embankment, SE1.

scheme

EEC milk

From the President, Country Landowners Association.

Sir.—Having read your article (April 2) on the division between landlords and tenants of payments made under the EEC's proposed milk outgoers scheme, I would like to make this association's position quite clear.

We certainly do not wish to hold up the outgoers scheme. Far from it. It is essential that overproduction is curbed, and it must be best for the industry that reduction in output is achieved by voluntary means. But to divide interest in milk

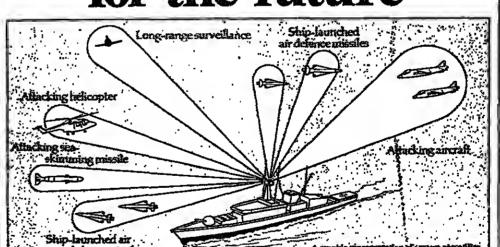
quotas between landlord and tenant on the basis of a simple percentage split fails to recognise the basis of valuation which normally applies to land-lord and tenant matters. I believe that agreement should be reached between ourselves and the National Farmers' Union on the basis of valua-

tion, and I am sure that it can The fair dvision is the one which recognises the loss to each party which results from relinquishing quota and increas-ing production.

The discussions between CLA and NFU have concentrated on the separate question of com-pensation to the tenant at the end of a tenancy. They take place against the background of EEC legislation which ties quota to the land. There are four sets of interests to be considered here—the interests of the landlord, of the existing tenant, of the incoming tenant and of the future of the landlord/tenant system. The subject has been and remains under intense examination and I am perfectly satisfied in my own mind that the line I have been taking on bebalf of the CLA is founded on clear principles and would do justice to all the

ADVERTISEMENT.

# Multifunction radar for the future



**FOR** 

exchange that got the vote for both Houses of Parliament last October, is now being installed in another section of the Whitehall network.



Nine of the new exchanges plus one tandem exchange in the North Rotunda building, have been ordered in a £1.4m contract with British Telecom, who market Plessey ISDX as

Plessey is developing a radical new multifunction radar technology

Plessey ISDX, the digital



Merlin DX.

Some 4,500 extensions will be linked by DPNSS (digital private network signalling system) in order to form one distributed system.

based on solid-state antennae. This will keep ahead of the increasi multi-level saturation threat, but also keep new systems affordable

The key to this Plessey breakthrough in radar technology lies in the widespread use of gallium arsenide circuitry - an area where Plessey is a world leader. This enables them to build a phased-array sensor which is not only many times more effective than the best of loday's radars, but is also highly resistant lo jamming and is capable of operating after a degree of battle damage. The complex machinery of tradilional 'scanning' radars can be

GALLIUM ARSENIDE

replaced by sensor panels which can be fixed or rotating. radically alter the defensive capability of warships in the future. They are equally effective in replacing other existing defence radars and can be land based, or vehicle mounted and

The use of these radars will

for the Services in years to come. next generation of airborne early warning aircraft.

One of these new radars can outperform the current combination of a surveillance radar and a number of tracking radars. Apart from large scale economies becoming possible by significantly reducing the number of radars needed, a compuler will instantly control the radar beam and will be able to deal simultaneously with complex multiple threats. REAL ADVANCE

It offers simplified manning and support requirements, and a real advance in bridging the

affordability gap. Phased-array active radars are the latest example of The Plessey Company's forward looking approach, and capitalisation on its skills, to produce incovative solutions to to-



Technology is our business. PLESSEY, the Piessey symbol and ISDX are trade marks of The Piessey Company ple.

## Mobile data for Antwerp police

Another mobile data system contract from the Antwerp Police Department in Belgium has been

won by Plessey.

The equipment consists of a central message control computer, special terminals to operate over radio, communication controllers and outstation hardware.

Plessey began to replace the old Antwerp Police telex network, which was slow. insecure, error-prone and expensive to run, in 1984. Now there is high-speed, errorfree data communications between beadquarters, div-isional stations and patrol cars.

Information can be disseminated throughout the network within milliseconds. Correspondingly, enquiries can be made from a police car to the central information data base

and a reply received in seconds. Plessey has built up considerable expertise in mobile data, with systems installed in Hong Kong, Sweden, Dubai, Australia, Belgium and the UK. Applications range from law enforcement to fleel management, container yard and

#### LOW-COST **BIPOLAR CHIPS**

warehouse operations.

Plessey Semiconductors has announced low-cost versions of its popular SP1648 and SP1658 high speed bipolar integrated circuits for computers and peripherals, instrumentation, telecoms and radio commu-

SP1648DP is an ECL oscillator, and SPI658DP a voltage

controlled multivibrator Both these circuits, now available in plastic packages, are part of Plessey Semiconductors' standard emitter coupled logic (ECL1 range.



# FINANCIAL TIMES

Monday April 7 1986



Terry Byland on Wall Street

#### After the peak, a nasty fall

NO SOONER had the 1986 first quarter been enshrined in Wall Street's hall of fame than the market fell precipitously, suffering its largest weekly percentage drop for the past six years. Friday's Dow Jones industrial average closing level of 1,739 takes the stock market hack to early March.

Since the market is already hiting into its superlative first-quarter gains, which put 13 per cent on the most favoured sectors, it may have to look to new areas for leadership in the next three months.

If it was the "lower oil prices lower interest rates" axis that boosted stocks between January and March, then it has to he said that the interest rate side of the equation dominated, Statistics compiled by Standard & Poor's research department indicate that the prizes for the first quarter went chiefly to stocks directly in line for interest rate benefits, with the manufacturing sector left well down the

Best of all were stocks linked to housebuilding, which boomed as mortgage rates fell. Housebuilding stocks themselves gained 51 per cent, easily topping the list of first-quarter winners. Stocks in thrift companies, which finance the building boom, jumped by 38 per cent. Also prominent were stocks in industries loosely connected with new bomebuilders, like building materials (up 31 per cent), bousehold furnishings (up 29.7 per cent), and re-lated retailers (also up 29.7 per

Less easy to explain in terms of suburban virtue or lower interest

% change, year to March 31

SP 500

among the winners.

rates was the 33 per cent gain in lelsure industry stocks. The statistics include a bout of speculative fever in the television industry and the

increasing success of downmarket But, with the exception of the De-troit motor issues, US manufacturing stocks did not shine in the first quarter. Only machine tools, which gained 30 per cent as orders began to pull out of the trough, featured

Basic heavy industry and high-technology stocks lagged behind the market, in fact. Among the worst performing groups, setbacks of 40 per cent in offshore drilling stocks, 13 per cent apiece in domestic oil and oil well equipment groups came as no surprise in view of the massive slide in oil prices. But computer and business equip-ment stocks edged up by only I per cent. Wall Street's concern about increasing competition in the compu-ter market has marked IBM as a weak factor in the stock market over the past six weeks.

Across the wider range of hightechnology and communication issues, losses have ranged to around 6 or 9 per cent. Lower oil costs bave less immediate impact here, whereas competitive pricing continues to trim profit margins. Also lagging behind were steel stocks, which edged up by a mere 2 per cent as the industry continued to struggle with long-term problems of shrinkmarkets and

The sluggishness of manufacturing stocks to respond to the cost benefits of lower oil prices looks particularly uncomfortable after last week's performance. The mere hint from Vice President George Bush that the US might favour a enough to upset both the bond and stock markets - until the White House took Mr Bush's foot out of his mouth for him.

As the second quarter of 1986 gets under way, Wall Street is tak-ing a second look at the oil priceinterest rate equation. Speculation on interest rates has switched to the short end of the market, where hopes of another cut in the discount rate have resurfaced. This might keep housebuilding and thrift stocks on the hoil without improving prospects for manufacturing. The market is moving cautiously into the quarterly profit reporting season. Forecasts of an overall rise of 5 per cent in first-quarter profits, and, perhaps, 20 per cent for fiscal 1986, are not very different from predictions made six months ago. On this basis, manufacturing stocks are unlikely to take over the lead in the market.

At the end of the first quarter, Wall Street's view seems to be that stocks on the hoil without improv-

At the end of the first quarter, Wall Street's view seems to be that the credit industry is already benefiting from lower interest rates while manufacturing industry has yet to show its benefits from lower

# Launch date for new BL executive car delayed

Marketing of the car, seen as vi-tal to the future profitability of the nally state-owned concern, has also been dealt a blow hy engineering prob-lems with the economy fuel-injection version of its new MI6 2-litre Austin Rover could have led Eu-

ropean assemblers in introducing the single-point injection concept a system offering fuel economy at lower engine cost. Failure to achieve expected cost savings means Austin Rover will offer the more sophisticated, hut commonplace, multi-point system.

Austin Rover's decision to put hack the target launch of the new car by three weeks from June 24 to July 15 is unlikely to cause much surprise among components suppliers. Delays in receiving engineering Dealers are likely to be anxious

company, has again delayed the in- when the beginning of 1986-87 reternal target date for launch of its gistration boosts sales. "Above all much heralded Rover XX executive my concern is that Austio Rover saloon developed with Honda of gets the quality right from day one," a leading dealer said last night.

The UK launch of the XX, origischeduled for last autumn, bad to be delayed initially for more than six months because of problems with the Honda V6 engine which powers the top-of-the-range model. Testing of the engine revealed faults which required a new configuration and the consequent redesign of the front end of the car.

Honda showed its version of the X joint car in Japan at the Tokyo Motor Show last November and last week began selling the model in the important US market under the Legend marque. Austin Rover, which sees the XX as the key to hreaking into the US, expects to enter competition with its Sterling model by the end of the year.

Collaborative ventures with Hondrawings caused widespread scepti-cism about the earlier launch date. now that the UK Government has ruled out any merger of the stateto have adequate stocks to take ad- owned company with Ford of Eu-

AUSTIN ROVER, BL's volume-car vantage of the key August month rope. Austin Rover, which suffered a trading loss approaching £10m (\$14.2m) last year, and seems set to dio into the red again this year, is an unlikely candidate for early priv-

nent that Austin Rover will start assembly of the Honda Ballade on a sub-contract basis at its Longhridge plant in Birmingham. Production of the Ballade, the Honda equivalent of the present Longbridge-built Rover 200 series, will run initially from November at only about 4,000 units a year.

There is scope within the BL corporate plan for Honda sub-contract assembly to rise to up to 100,000 vehicles a year by the early 1990s. The deal offers Austin Rover the oppor-tunity to obtain much needed volume on its under-utilised produc

Whether such targets are achieved will depend on the Long-bridge pilot scheme. Whether capacity is used in Birmingham or at the Cowley assembly plant at Ox-ford will depend on the Honda mod-

# Reagan officials link Gadaffi with Berlin nightclub bombing

BY REGINALD DALE, US EDITOR, IN WASHINGTON

the Lihyan leader, to the Berlin the US would retaliate.

nightclub bombing in which two Mr Robert Oakley. people, including an American soldier, were killed and more than 150 wounded early on Saturday. US officials admit, bowever, that they have no hard evidence to implicate Col Gadaffi directly in the attack.

A senior Administration official said at the weekend the latest incident fitted "a pattern of indiscrimi-nate violence" against Americans by Col Gadaffi and seemed to be part of a Libyan "master plan" for terrorist attacks.

The Administration's accusation against Col Gadaffi caused speculation in Washington that it might be preparing American and internaional opinion for tough US military retaliation against Libya. 'Clearly

linking Colonel Muammer Gadaffi, one senior official when asked if

Mr Robert Oakley, head of the State Department's counter-terrorist unit, said yesterday, however, that the US would not necessarily retaliate against Libya for the Berlin bombing. The response to each incident would be judged on a caseby-case basis, he said. It is no secret that the Adminis-

gets ranging from supposed terror-ist training camps to oil installations. The air strikes would be launched if bard evidence was found linking Col Gadaffi to specific terrorist attacks.

US officials said Col Gadaffi had singled out 30 US installations abroad, as well as individual diplo-

THE REAGAN Administration is our patience is wearing thin," said mats, as possible terrorist targets. A report yesterday suggested that the Berlin nightclub had been one

One US counter-terrorist expert said there was strong circumstan-tial evidence linking Lihya to the Berlin bombing. However, Mr Oakley said that so far there was no conclusive evidence linking the Ber-lln incident with last week's bomb explosion oo a TWA airliner betration has contingency plans for tween Rome and Athens, which bombing attacks on Libya, with tar-killed four Americans.

The Administration said it regarded Col Gadaffi as being at the centre of the pattern of recent terrorist outrages in Europe and the Middle East because he was training and exporting terrorists and "creating the climate where other acts of terrorism are spawned."

Background, Page 2

### **IEA** talks to discuss minimum oil price safeguard

the International Energy Agency about \$10 a barrel, the lowest for 13

IEA discussions for years have centred on the need to avoid sharp ises in the oil price, but this week's debate could cast the spotlight on the almost forgotten IEA "minimum safeguard price" of \$7 a barrel

felt that the minimum price safeguard helped the US protect its own oil industry which faces very high costs of extraction in many of its deoleted fields and also in Alaska. Remarks by US Vice-President

Mr George Bush, and Mr John Herrington, Energy Secretary, last week reawakened the suspicion that the US is prepared to defend its high-cost oil producers which it believes are essential to its national

However, an IEA spokesman said last week: "Officially our policy remains non-interventionist. A triggering of the \$7 minimum safeguard price provision is not politically on the cards at the moment."

oil importer and a leading member of the IEA, is beginning to be uneasy about the extent of the fall in oil prices which it fears could lead to a damaging sharp rise in the next decade as the search for new oil is reduced

apanese Minister for International rade and Industry (MITI), called

SENIOR GOVERNMENT officials from the 22 member countries of are to meet in Paris on Thursday to pool their views on the collapse in oil prices from \$30 last November to

This rule, passed in January 1976 at the instigation of the US, is designed "to ensure that imported oil not sold in the domestic markets (of IEA members) below a price corresponding to \$7 a barrel." Member countries were given a free hand in the kind of tariff used to prevent a lower selling price.
At the time some IEA member

But Japan, the world's biggest net

Last month Mr Michio Watanabe

for a conference of energy ministers to find ways of stabilising the

Editorial comment, Page 16

#### starting grid Despite a fair amount of wrangling the weekend's realignment of the EMS has turned out very much the result it was supposed to. Without the panic of 1983, when hopeless attempts to stave off the evil day exacerbated speculation against the French franc and brought about overnight Eurofranc rates of 3,000 per cent, the French

and West German governments have again accepted the need to make room for France's accumulated relative inflation. Friday's suspension of the adjustment mechanism hardly amounted to a market resolution of divergent claims - the markets were too narrow for that and the spreads too wide. But it has provided room for the D-Mark to be revalued by 3 per cent within the system without asking the markets also to revalue it.

against the dollar.
With the 3 per cent drop accorded to the franc, that provides the new French administration with the required deck-clearance. Although it may be a slight strain

on the guilder to be coupled with. when annual consumer price rises the D-Mark on this occasion, gas evenues not being what they were, the Belgian and Danish currencies should ride reasonably well on their slight effective devaluation.

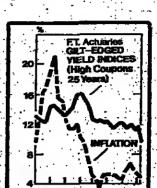
At current low inflation rates the idea of economic convergence looks more credible than for most of the system's existence, even if the external influence of declining oil prices since the last realignment has had quite a lot to do with it. If future divergences are to be largely a matter of differential labour costs the UK Treasury may well feel that the EMS is a fruit that can never be plucked.

For so long considered unripe, be-cause of oil, sterling membership of the adjustment mechanism may now be left to wither for fear of UK wage inflation.

Gilt-edged values

Only rarely is there a fundamen tal adjustment to the way a stock market is valued. When it does happen it takes time and is not generally recognised until well

The reverse yield gap, born from the cult of the equity, was the result of just such a shift. For years it was



THE LEX COLUMN

Currencies on the

gilt-edged market must therefore be speculation. But after last week's dip in long-dated gilt-edged yields below 9 per cent for the first time since 1972, it is worth considering. It took the gilt-edged market some years in the early 1970s to come to the conclusion that high inflation was there to stay, after the long stretch in the 1950s and 1960s

1979 81 83 85/6

averaged under 5 per cent. Gilt-edged stocks, like equities, did not reach their low point until the end of 1974. Similarly the marlower levels of inflation in the last

three years, opening up a high real yield on gilt-edged stocks.

The question is not why yields have fallen so far, but why they are have fallen so far, but why they are . Not even a merger a minute can still so high. One explanation is that keep a bull market going if the forecasts investors demanded a worrying along with Vice Presi-higher yield from the gilt-edged dent Bush about the less attracmarket than has been required

were vindicated - however fortu-lously - another line of reasoning vas, but it does need to think about appeared to justify high gilt edged the soundness of the earnings out. yields. Just as in the 1970s high in- look that it is discounting. flation was thought to be an aberra. Takeovers really do not make tion, now low inflation could be much difference to that calculation, should yield.

ental that the oil price which played a large part in the inflation of the 1970s is now a major factor in its reverse. Falls in other commodity so contributed to the fall in inflation. But most economists are now looking for an upturn in UK inflation once more in 1987, fuelled by wage rises. Thereafter the uncer-tainties are political as the next general election looms. The psy-chology of high inflation is hard to

Even if high inflation has been conquered the world has changed for gilt-edged since the early 1970s. ets must compete internationally for investors' money, and gilt-edged reburst must be compared to US and other bond yields Lower interest rates and inflation around the world have pushed bond markets upwards, including the

But the UK has yet to shed its pre-Thatcher international reputa-tion as a high inflation economy, and a revival of the oil price would also reawaken overseas fears of the petro-currency element in a sterling investment these are risks for which international bond investors ket has been slow to adjust to the quite reasonably require premium

New York v London stockbrokers' economists generally sands begin to run out. Wall Street had a poorer track record than the has been less frantic an arena for Treasury at forecasting inflation, takeover activity for some time, and Disbelieving the Treasury's low last week it seemed to have begin tive consequences of cheap oil Un-like Mr Bush, the Lendon equity When the Treasury's forecasts market does not have to worry

transitory too. A risk premium has been added into the equation which defines what gilt-edged stocks have the standard Chartered Bank that is in question. The arbibould yield. trage merchants have clearly got Since economists are mostly hap their teeth into Standard and may py to go along with budget forecasts well prevent control changing of inflation of 3% per cent by the hands at much under £10 a shareend of 1986 and the real yield on the whether to Lloyds Bank, BAT Inseen as unnatural, but has persist- longest dated index-linked stocks is dustries, or some still less plausible ed ever since, is now regarded as 31/2 per cent, that risk premium latecomer. But that does not logical, and is often referred to as looks like 2 per cent. Few believe disguise the fact that Wall Street; the yield gap pure and simple.

A suggestion that such a seaschange is taking place now in the hoping it will not it may be coincid—where the optimism is flowing.

# EEC to back \$12bn boost to IDA fund

BY PAUL CHEESERIGHT IN OOTMARSUM

pared to support international moves to replenish the funds of the International Development Agency, the soft loan associate of the World

national Monetary Fund's interim and development committees. "I am fairly sure that the Commu-

nity will be able to support under certain conditions a \$12hn IDA. The European attitude in general is

Continued from Page 1

borrow ahroad.

months in advance.

announced soon.

ters are in future to be allowed to

repatriate their foreign exchange earnings freely, and French compa-nies will also be free to invest and

At the same time forward cover

for importers is to be re-establish-

ed, with companies allowed to cover

foreign exchange purchases three

With the aim of boosting confi-

dence in the franc and encouraging

French residents to hring home

hinted that a tax amnesty would be

Paris aims to cut deficit

nance Minister and chairman of the weekend's discussions.

US reluctance to agree this level of financing, Dr Ruding added: "If the IDA does not succeed - if replenisb-Finance ministers decided at the ment proves to be insufficient - one weekend on a common position for a series of meetings to be beld in cannot blame Europeans hut the others."

The seventh phase of the IDA \$9ho from the industrialised countries, with the US refusing to accept the general view that S12hn would minary talks for the eighth phase very constructive and forthcoming there is again a movement towards said Dr. Onna Ruding, the Dutch Fiarrell replication in the eighth phase very constructive and forthcoming there is again a movement towards a replenishment of \$12bn.

On price controls, the Govern

ment similarly stepped back from total abolition. But it said that com-

panies' freedom to set their own

In an effort to hold down infla-

tion, Mr Balladur declared that France's 4½m public employees -

including teachers and civil ser-

vants - would get no further wage

increases this year. As a result of increases already in the pipeline, salary costs in the public sector are

already due to rise by 2.7 per cent

prices would be "the rule."

# **UK** warns loyalists on Ulster violence

BY OUR BELFAST CORRESPONDENT

MR TOM KING, the British Government's Northern Ireland Secretary, yesterday warned militant loyalists that the Government would the Government their concerns not give in to the growing wave of violence against the Anglo-Irish agreement which aims to give the Irish Government a say in the affairs of the north.

His comments follow a weekend of attacks on the homes of Royal Uister Constabulary officers, rioting in Protestant districts of Belfast and loyalist violence against Ro-

The RUC yesterday raided the east Belfast beadquarters of the paramilitary Ulster Defence Association and seized documents and computer tapes. The operation is the intimidation of police officers.

There were a further 16 attacks

on the homes of RUC men on Saturday night and two houses were gut-ted after petrol bombs were thrown. The police said there had been more than 100 such attacks in the Mr King said the RUC was under ernment.

about the Anglo-Irish accord, in order to avert "a dangerous situation which men of violence will exploit." thing we could do would be to give in to violence. That would do no ser-

vice to unionists or nationalists." With Northern Ireland's "marching season" under way, Mr King hoped it would not be necessary to in the province beyond the present

It might be necessary for troops already in Ulster to support the rades, but be hoped the army would not have to be diverted "in a serious way" from its work of combating

Mr King said the Government would not suspend the Anglo-Irish agreement – an essential precondition insisted upon by unionists before resuming talks with the Gov-

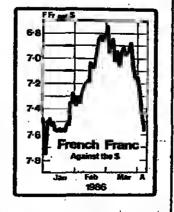
# **EMS** realignment

Continued from Page 1

the Dutch Finance Minister, saw the agreement as "a helpful ele-ment in the process" of cutting interest rates while Mr John Bruton, the Irish Minister, believed it would help Irish rates downward.

One aspect of the agreement which will be receiving key attention in national capitals today will be its implications for the EEC's farm price negotiations. Paris and Bonn are both looking for price rises rather than the price cuts proposed by the European Commis-sion. The D-Mark revaluation could amount to price reductions to German farmers of 3 per cent or more well look to national measures to help offset this if it cannot negotiate genuine price rises in Brus-

By contrast, the franc devaluamore austere EEC price package mon farm price system. because it should eventually deliver Compared to the la a modest price rise to French farmers. The final impact of the realignment will be applied with a final Cotmarsum were relatively tranprice agreement and it has been



agreed that in the meantime there will be no changes in monetary levies which iron out the effects of tion could help Paris to accept a currency fluctuations on the com-

Compared to the last broadlybased EMS realignment in March 1983, the weekend negotiations in

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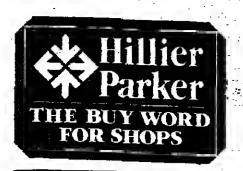
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# SECTION II - COMPANIES AND MARKETS

# FINANCIALTIMES

Monday April 7 1986



INTERNATIONAL BONDS

# Stormy US sparks search for calmer waters

BY ALEXANDER NICOLL IN LONDON

THAT bucking bronco, the US Treasury bond market, last week sent the Eurobond community scurrying for tamer rides. Bonds were issued in an extraordinarily diverse range of currencies. Even so some found unexpected excitement on Friday as the weekend meeting on the European Monetary System was

Over Easter it had seemed that a surfeit of issues in the US domestic market could create borrowing opportunities in the Eurodollar market. After a period of wide spreads between the two markets as interest rates fell a more normal relationship appeared to be emerging. But such illusions were soon shattered. Again the US market reared up and again the gap wid-ened between it and its unhappy rider. As New York bobbed wildly up and, just as dramatically down, mamly under the influence of oil prices, so the Eurodollar market's

discomfort continued.

There was the usual crop of brave issuers. But most did not fare well. Union Pacific, Schering Plough and Nippon Kokan were still suffering as the week ended and some oilrelated corporate issues from previous weeks were also looking sick.

One argument being expressed was that the near-term poor performance of new Eurodollar straights was irrelevant. What mattered was that, despite all the static, there was still wide and deeply felt optimism that interest rates would continue to fall. Federal Reserve data last week were seen as showing the central bank's accommodating posture. In these circumstances issuing houses could afford to take paper on to their books for a while and wait for the rising tide to float

"I don't think that people are do-ing issues that can't be justified." was one prominent syndicate man-

Others may not doubt the overall trend, but they question the timing of the next rate drop. Moreover. they detect very little underlying demand at present for dollar debt.

are exceptions. Mitsubishi's \$400m issue, with warrants which will still have value if the share price falls, was warmly received although some found it difficult to price the "option on an option." The Tokyo stock market's shake out, made the idea look even more attractive, and the concept, which originated with the Chugoku Marine Paints placement in Switzerland, is expected to be copied soon by Kao, the soap concern in West Germany.

Campbell Soup's \$100m deal, launched late on Friday at a net spread of 36 basis points over Treasuries, quickly ran into flak. Despite its red-hot name, the issue is for a difficult 12-year maturity and

banker mused that "there was a day's news indicating an imminent time when the issue would have devaluation of the franc set off a been launched at or even below new round of buying by French Treasuries, so at least some reality investors expecting that the stage would be set for a package of ecois creeping in." nomic measures including interest

With the dollar sector so tricky but the overall mood still buoyant it was not surprising to see so many other currency sectors being tapped. Tasty morsels were served: bobank in Ecus, Sweden in Danish crowns, the World Bank in guil- issues with pay dates after the ders, and some strong names in D- weekend, such as the recent Trust-Marks. But elsewhere there were signs of surfeit too many overaggressive issues in sterling, suggestions of reduced investor demand in yen, and slight indigestion after a flurry of deals in Swiss

cent, and the opportunity to lock in-Looking healthiest at the end of to a fixed 8% per cent coupon if by the week was the French franc secthe end of the first year, rates have tor. It had been resilient before the dropped below this level or look like parhamentary elections, and strong first FRN, it was being valued as excesses. afterwards on the firm expectation

rate cuts.

ommunications.

Foreign investors have naturally

been more wary because of the ex-

change rate risk. But on Fridey

there was active buying of Euro-

house Forte issue and last week's

deal for Caisse Nationale des Telec-

The latter deal bad its own attrac-

is callable after seven. But one that interest rates would fall. Fri- one-year fixed rate paper with non-detachable warrant.

Though Friday's EMS resbuffle news effectively closed down the secondary market in Ecu bonds, the general feeling was that an orderly realignment would not damage the market. Interest rates in the largest components, such as the D-Mark and sterling, did not seem set to rise, while falls in rates on others, such as the French franc and bra would help Ecu rates to edge lower.

Rounding off the week was renewed activity in the Canadian and Australasian currencies. The Canadian dollar sector, which is subject to highly selective investor demand. tions, as a floating rate note with a tions, as a floating rate note with a sax marurities extended to 20 years full-year initial coupon of 8.56 per in line with the lengthening in other sectors. Coupons on Australian dollars are edging lower, while the 18 - per cent available in New Zealand dollars must be mouth-water doing so. Though it was the sector's ing to those who can forget past

# Demerger offer for Extel proposes UK debt-rating agency

BY OUR EUROMARKETS STAFF

THE sterling-denominated commercial naper market, yet to be created but already the object of recent discussions between banks and the UK authorities, is likely to be the initial target of a British debt-rating agency, plans for which were announced on Friday.

Agreement to set up such an gency was revealed in a revised ofby Demerger Corporation for Extel, the UK business and sporting information group. Demerger was set up to take over and break up Extel which opposes the bid.

Should the bid succeed, a rating service will be set up jointly with Euromoney Publications, lishers of Euromoney magazine and other specialised business information. Euromoney also operates computerised databases serving the international capital markets.

Mr Padraic Fallon, Euromoney's managing director, said the company had been approached by banks which felt a British rating agency would aid the liquidity of a sterling commercial paper market should the UK Government permit such paper to be issued. "We have been looking for a partner who would belp us on the analytical side," Mr Fallon said.

The world's largest rating ser-

10,532.8 24,401.2 16,047.8 37,810.5

8.0

2,529.6 6,339.9 2,346.0 2,214.9

vices, Standard & Poors and Moody's Investor Services, are also expected to be keep to participate in the new UK market

Demerger's agreement with Euromoney also envisages the rating of Eurobonds, UK corporate bonds and Eurocommercial paper and coromoney's computer databanks.

British banks were disappointed that last month's budget did not include the announcement which some had expected that the nar on commercial paper, lorbidgen under the Banking Act, would be lifted. They have been preparing extensively to attract UK corporate porrowers into the market, though doubts remain about its likely competitiveness in view of companies' existing use of the cheap acceptances market

The final decision is thought now to rest with the Treasury, with the Bank of England remaining neutral provided investors are adequately protected. A rating agency would be seen as assisting such protection. especially as commercial paper typically attracts corporate investors serking a home for short-term surplus funds, who would rely on independent ratings.

#### Alitalia profits EUROMARKET TURMOVER

35,234.0 53,858.3

rise to L48bn ALITALIA, the Italian state-78.2 328.5 160.5 128.9 controlled airline, more than doubled its net profits last year from L2] bn (S|3m) in 1984 to L48bn dary Market 21,939.3 1,078.4 8,362.0 2,184.5 31,578.0 1,282.4 10,878.6 3,208.2 8,082.1 160.0 1,154.4 3,268.9 14,382.2 188.9 1,966.5 3,326.5 In 1985, writes James Buxton in

Revenues rose 15.6 per cent from L2914bn in 1984 to L3369bn last year. Gross profits rose from L122bn in 1984 to L277bn in 1985. The airline last year reduced medium and long-term debt from L1073bn at the end of 1984 to L923bn at the end of last year.

#### **EURONOTES AND CREDITS**

# Hungary shakes up syndicated market with \$275m deal

HUNGARY is back in the Eurocredit market with a \$275m, eight-year hungry for assets and will buy alcredit, its first ever to include a margin of just % per cent as part of

through a group of six banks - Cit active borrower in recent years, icorp, Deutsche, First Chicago, Na- Last year, according to the Organitional Westminster, Industrial sation for Economic Co-operation Bank of Japan and Sumitomo. Re- and Development (OECD), it raised payments will start after a grace period of five years and interest will be charged at a margin of % per cent for the first two years, rising to % per cent over London Eurocurrency deposit rates thereafter. Typically, it is thus an Eastern paying older, more expensive debt. European borrower which has man-Last year prepayments totalled aged to shake the syndicated loan \$450m and this year they should be market out of its recent torpor. Equally typically the terms are very

most anything at almost any price.

This time round, however, things may not be so easy. With \$8bn of The deal was launched on Friday foreign debt, Hungary has been an nearly \$1.5bn abroad, and some banks say the space on their balance sheets for fresh Hungarian loans is now limited.

Against this, however, is the factor that Hungary has also been preat least \$250m. This might ease some of the congestion on balance. fine, pared to the bone as always; sheets and help the loan to fly, eswith a conventional syndicated foan pecially since the lead group is

broadly based geographically and consists of banks with a high profile in their respective markets. Hun-gary has also recently been able to place its Euronotes at fine rates of around Libor plus 8 basis points. which suggests there are pockets of demand for its paper.
Hungary will not be the only

Comecon borrower to raise money over the next few weeks. Despite its declared intention to cut imports and by implication also its borrow-ing - as a result of the falling oil price, the Soviet Foreign Trade Bank is also widely believed to be mulling a sizeable operation. One possibility is that it will opt for a larger and more public Eurocredit operation than those seen in the past though other mechanisms. possibly involving the securities

ronote market may now be picking up after an exceptionally quiet period in the run-up to Easter. Among up its recent £100m facility with the deals now looming are credits for the Spanish electric utility Iberdu-

a fully drawn cost of 1/1 per cent for around \$300m, to carry exceptionally aggressive terms. Though it was once a beavy international borrower, it now taps the market rather rarely. The fall in the oil price

der study.

and lower international interest
In general there are signs that rates should also help its balance of business in the Eurocredit and Eu- payments and put its external finances on a much stronger footing.

launch of a \$150m Eurocommercial paper programme for which Citero as well as both Greece and Ire-icorp and Credit Suisse First Bosland, whose Telecommunications ton have been appointed dealers. authority put its toe in the water The launch of the programme on last week for a \$100m, five-year, the heels of its facility underlines five-month deal fed by Citicorp with the growing trend towards the sepa facility fee of five basis points and aration of paper issues and the arrangement of back-up facilities. Postipankki of Finland has ar

Bankers say they expect Ire-ranged a \$500m Eurocommercia land's deal, which will probably be paper facility through Merril Lynch Capital Markets. Other dea ers will be Bankers Trust, Goldman Sachs, Swiss Bank Corporation and Postipankki itself.

Gulf International Bank has ar-

ranged a \$250m Eurocommercia paper programme, issuable in dol-lars or Ecus. The programme, which is claimed to be the first launched for a Middle Eastern bor-

rower, was arranged by Citicorp.
Citicorp is also arranging \$100m, five-year loan facility for Ferruzzi of Italy which on Friday dropped its plans to take over S.W. Berisford of the UK. Proceeds of the deal will be for general corpo-rate purposes. It carries an annual fee of 5 basis points and a margin on drawings of up to 15 points de-pending on how much is used.

Reported to be moving slowly is a 5500m, eight-year credit for the Sultanate of Oman which carries a margin of % points over Libor. Several potential lenders are said to baulking at underwriting a chunk as large as \$50m.

This announcement appears as a matter of record only.

New Issue

Canadian \$100,000,000

# Sears Acceptance Company Inc.

10% Secured Debentures Series 1, due October 3, 1993

Unconditionally and irrevocably guaranteed by

Sears Canada Inc.

Sears

Issue Price 100%%

Wood Gundy Inc.

Kidder, Peabody International Limited

This onnonnement appears as a matter of record only.

Canadian \$60,000,000

**Avco Financial Services Canada Limited** 

1034% Guaranteed Notes due April 2, 1991

Unconditionally Guaranteed as to Payment of Principal and Interest by

Avco Financial Services, Inc.

Issue Price: 10014%

Salomon Brothers International Limited

Morgan Stanley International

Banque Bruxelles Lambert S.A. Banque Paribas Capital Markets Limited CIBC Limited **Crédit Lyonnais** Dresdner Bank Aktiengesellschaft

Generale Bank **Orion Royal Bank Limited** Société Générale

Banque Nationale de Paris Berliner Handels- und Frankfurter Bank Crédit Commercial de France **Dominion Securities Pitfield Limited** First Interstate Capital Markets Limited Kredietbank International Group Richardson Greenshields of Canada (U.K.) Limited S. G. Warburg & Co. Ltd.

Bank America Capital Markets Group Algemene Bank Nederland N.V. Bank Mees & Hope NV Bank Gutzwiller, Kurz, Bungener (Overseas) Bankhaus Hermann Lampe The Bank of Nova Scotia Banque de Neuflize, Schlumberger, Mallet EBC Amro Bank Dai-Ichi Kangyo International enschaftliche Zentralbank AG Fuji International Finance HandelsBank N.W. (Overseas) Hambros Bank Limned Great Pacific Capital S.A. Japan International Bank Kininwort, Benson IB) International Merrill Lynch Capital Markets LTCB International Lloyds Bank International Samuel Montagu & Co. Mitsui Finance Europe Pierson, Heldring & Pierson N.V. Osakaya International (Europe) The Nikko Securities Co., (Europe) Ltd. Shearson Lehman Brothers International Sarasin international Securities Limited

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Bank Europaise Bank of Montreal Banque Generale du Luxembourg S.A. Creditanstalt-Bankverein First Chicago Girozentrale und Bank der österreichischen Sparkassen F. von Lanschot, Bankiers N.V. Midland Doherty National Bank of Canada (International) Standard Chartered Merchant Bunk

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Wood Gundy Inc.

Bank of Montreal

Banque Générale du Luxembourg S.A. Citicorp Investment Bank Limited

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Morgan Guaranty Ltd Orion Royal Bank Limited **Deutsche Bank Capital Markets Limited** Goldman Sachs International Corp.

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**CIBC Limited** 

Crédit Lyonnais

Société Générale

Union Bank of Switzerland (Securities) Limited Toronto Dominion International Limited

Bank Leu International Ltd. Bank für Gemeinwirtschaft Attcl & Cie S.A. BankAmerica Capital Markets Group Banque Nationale de Paris Banque de Neuflize, Schlumberger, Mallet Bank J. Vontobel & Co. AG Bayerische Vereinsbank Berliner Bank H. Albert de Bary & Co. N.V. Crédit du Nord Deutsche Girozentrale Commerzbank Chemical Bank International Group Gelina International Great Pacific Capital S.A. First Chicago Dominion Securities Pitfield Hill Samuel & Co. Kidder, Peabody International HandelsBank N.W. (Overseas) Hessische Landesbank Nesbitt, Thomson Nomura International Lloyds Bank International Kleinwort, Benson Schooller & Co. Sal. Oppenheim jr. & Cic. Standard Chartered Merchant Bank Sumitomo Finance International Schweizerischer Hypotheken- und Handelsbank

Tokai International April 1986

Yasuda Trusi Europe

April 1986

Sumitomo Finance International

Westdeutsche Landesbank

Verband Schweizerischer Kantonalbanken

Received

**US MONEY AND CREDIT** 

# Oil price swings determine investor mood

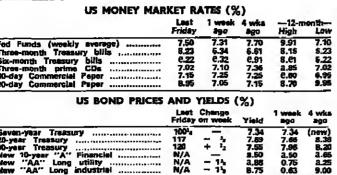
wildly in volatile trading last es nervous investors reacted to oil price swings. They cast aside further signs of US economic weokness and o marked decline in short-term interest rates, spurred in part by 30-day Continued discount rate cut 90-day Co

The 30-yeor Treasury long cond price soared last Monday ss crude oil prices pierced the \$10 a barrel level, helped on their woy by forecosts that crude prices could fall as low as \$5 a barrel if Opec does not

As hond prices rose, the yield on the Treasury long hond continued faith in market forces touched 7.25 per cent — the to delermine oil prices. Wall lowest level for more than nine

Yet the rally faltered as crude prices abruptly reversed direc-tinn, partly because Vicetinn, partly because Vice-President George Busb, on his way to Saudi Arabia, expressed concern about their plunge.

Bush'a remarks had been taken out of context" and expressed the Administration. "taken out of context" and ex- Oil prices moved higher Fed funds. Most other short-pressed the Administration's during the last four trading term rates fell sharply last



sessions of the week, while bond Street remained both sceptical and confused. On Tuesday, the Treasury long bond price moved through a four-point trading range, only to end the day little

changed—proving once again that, for the bond market, oll

prices continued to shift abruptly in response to shifting expectations. By the close on Friday, Treasury bond prices were 1 of a point lower on averago, though the long bond managed to post a half point gain on the week to end at 120. At that price, the 30-year bond is yielding 7.55 per cent—virtually the same as overnight virtually the same as overnight

basis points-reflecting con- "Recent developments suggest tinued helf a percentage point from the current 7 per cent.

Speculation about a discount rale cut received a further boost on Friday morning when the March US employment statistics were released. They showed a disappointing 0.1 por cent decline in the civilian unemployment rate to 7.2 per cent. More significantly, they showed that although non-farm employment rose by 192,000 in March 42,000 jobs were lost in manufacturing industry and 30,000 jobs disappeared in the oll, gas and mining sector.

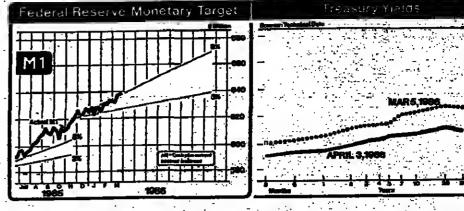
The employment data, coupled with other foctors like the emerging plight of the US energy states and their financiol institutions, reinforced the bellof of most market economists that the Fed will ease monetary policy further.

Dr Henry Kaufman, Salomon

expectotions that the that the Federal Reserve may whose policy-making case menetary policy seme time case menetary policy seme time mittee (FOMC) met on Tues this menth. Two important day ond Wednesday, will soon influences on this likely decimine to cut discount rate by sion are lacklustre economic perfermance and further declines in interest rates,".

While Dr Kaufman says a discount rate cut cou pend "en an international co-ordinated effort" and most crucially en Japanese actions, he adds that it would be difficult in present conditions for the Fed to ease without cutting the discount rate.

Mr Philip Braverman of Irving Securities notes that despite disappointment that the Fed did not cut the discount rats once again therefore the immediately after the FOMC timing, rather than direction, meeting, "Fed easing remains of any Fed move bas become likely, given prospects for low tha key issue for Wall Street.



inflation, continued sluggish economic growth, and deep dis-tress at some financial instrtu-

Mr Braverman coutions bowfactors leave the morket vulnerable to "a modest price retreat." in the short term. . . . Once again therefore the market

Some economists like Mr Allan Sinai of Shearson Lehman move, like a discount rate cut,

The Fed watcher's job at present is made even more difficult because of the difficulty of interpreting the Fed's open market operations, winclnded three rounds

bills last week, sgainst

Such uncertainties apparent in the US corporate bond markets. Last week cor-porate bond prices fell by between 1 and 1 of a point.
Most medium-term yield levels
were unchanged to 12 basis
points higher, while long yells rose by up to 25 basis points.

(11

#### **UK GILTS**

# Erratic trading follows transatlantic trend

ACCORDING TO conventional wisdom, last week ought to have heen a dismal one for the

With the oil price falling below \$10 a harrel immediately after the Easter holiday, one might bave expected gilt prices to plunge. In fact their highest point was at the opening on Tuesday morning when the oil price was at its lowest. As crude prices recovered after that, gilt prices slld in volatile and erratic trading to close the week below their eorly peaks by some 21 points at the long end, ranging to 11 points for shorter-dated issues.

There is scarcely any hetter example of the way in which the market continues to be dominated by events on the other side of the Atlantic, Far from being undermined by the slide in crude prices, gilts have bond markets as inflationary expectations have come down. As New York bond prices new tend to weaken when ell prices rise, so, paradoxically, do those

New Issue

of hrokers Houre Govett.

Yet UK bond prices bave lagged the advance elsewhere. produciog B growing yield differential between London and New York, where long-dated Treasury issues now yield around 1.6 per cent less thon gilts. That had prompted expectations that gilts could be boosted by an inflow of foreign huying. In fact, last week saw interest hy Japaoese investors and to a lesser extent by German buyers. But it was oot enough to sustain the market, and in any case, foreign interest ebbed as prices fell later in the week.

After the poword shift of recent weeks, the morket was ripe for a period of consolidagave Investors the chance to one factor adding to the untake profits, and some deolers certainty, as there is always the said they detected bargain-bunters buylog in 81 lower further round of concerted rate levels, olthough the volume was

low.

In the short run the market appears already to bove discounted a fall in the UK the gilts market is expecting infiation rate to around 3.5 per little in the woy of clear-cut "If oil was to turn up sub-counted a fell in the UK the gits m stantially, US bonds would fall inflation rate to around 3.5 per little in the so fast we would all be in a cent. Short of a new boost from conclusions.

round of international interest Wednesday, ore generally expected to abow a steep increase, while a string of calls on parily-poid issues over the next month or so is also weighing on the market. These issues in particular were among the losers last week.
The question facing gilts dealers now is whether this con-

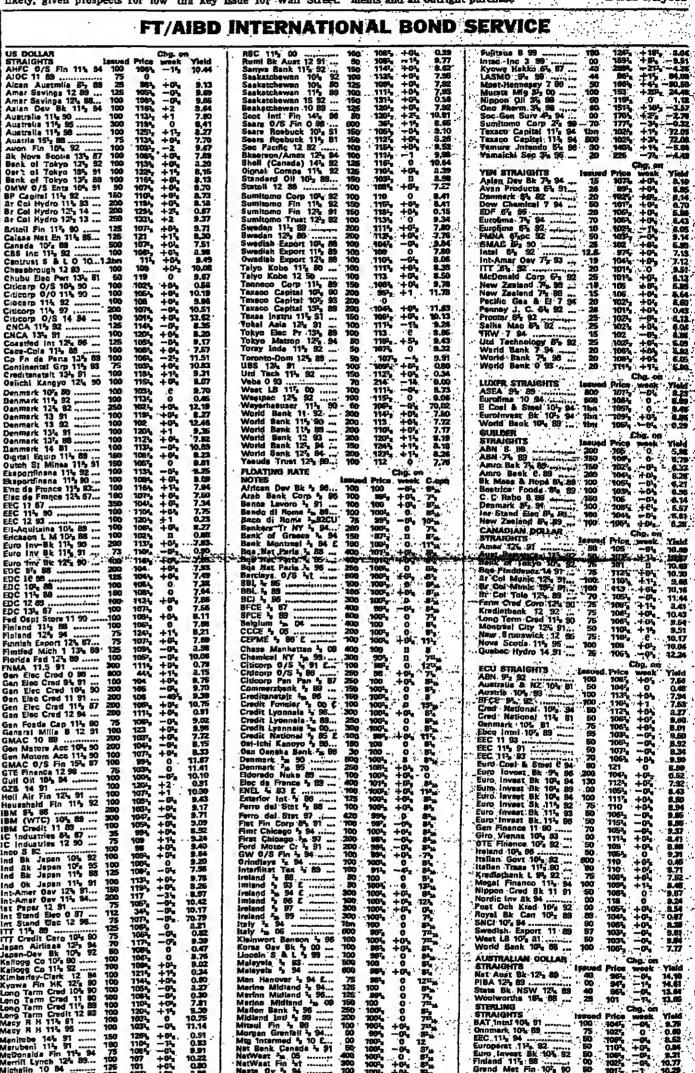
solidation is likely to continue.
Opinions are divided, though
clearly much will depend on
what happens in New York. This week's meeting of leading fin-ance ministers and central bank governors at the International tion. The peaks of last Tuesday mittee meeting in Washington is

Despite the steepness of last week's price correction, one congood news on the borizon. Pre-liminary money supply estimates for banking March, due on remains firm, all the more so since sterling bos proved resiliface of falling oil prices.

"Usually low volume in a fall means that basically the market still wants to go np," says Mr John Mullett of brokers L. Messel.

One development which might have helped prices recover would have been o decision by the UK to enter the European Monetary System. With the sterling exchange rate pegged to its European counterparts, the UK authorities would bave found themselves compelled to lower interest rates to prevent o destabilising inflow of bot foreign money. But on Friday, as European finance ministers gathered to discuss a new regathered to discuss a new re-alignment, the gilt market was betting against UK entry, Gilt prices barely reocted to the news of the meeting in the

Peter Montagnon



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April, 1986



# **Atlantic Richfield Company**

¥18,000,000,000

61/8% Bonds Due April 2, 1996 Issue Price 100% per cent.

LTCB International Limited

Credit Suisse First Boston Limited

**Bank of Tokyo International Limited** 

**IBJ** International Limited

Fuji International Finance Limited

Merrill Lynch Capital Markets

**Nomura International Limited** 

Morgan Guaranty Ltd

Kidder, Peabody International Limited

The Nikko Securities Co., (Europe) Ltd.

Crédit Lyonnais

Salomon Brothers International Limited

Sanwa International Limited

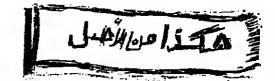
Sumitomo Finance International

Algemene Bank Nederland N.V. Daiwa Europe Limited Goldman Sachs International Corp. Kredietbank International Group Mitsui Trust Bank (Europe) S.A. Morgan Stanley International

Nippon Credit International (HK) Ltd. Shearson Lehman Brothers International Swiss Bank Corporation International Limited

**Sumitomo Trust International Limited** Union Bank of Switzerland (Securities) Limited S.G. Warburg & Co. Ltd. Yamaichi International (Europe) Limited





#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

# Dome creditors face an even longer wait

MENTERS AND EXCEPTION OF THE STATE OF THE ST

biggest corporate

ienders for new concessions, sternation in Canada and among The company has proposed sustine international banking compending interest and principal munity now than they did in payments on unsecured ioans 1982, when the company came from May 1 until mid-1987, Payer close to collapse payments on unsecured loans 1982, when the from May 1 until mid-1987. Pay-close to collapse.

payments on unsecured ioans from May 1 until mid-1987. Payments to secured lenders will be limited to cash flows. Preferred share dividends and redemptions will be frozen.

Yet even these proposals, made a month ago, were based on an oil price of US\$16 a barrel. Within the next week or so. Onthe will decide wbether the further drop in oil prices since then requires yet more favours from its lenders. One possibility is to curtail payments immediately. The company is also likely to slash capital spending, notably on its relatively costly heavy oil operations.

Mr. Howard Macdonald 1987, Payments in the company came close to collapse.

At that time, there were fears that Dome might bring down with it some of North America's largest banks and severely dam october 1982 to 4 per cent on January 31. 1986 to a province of Alberta. The Canadam foverment and four leading banks cohbled together a rescue package in September the further drop in oil prices since then requires yet more favours from its lenders. One possibility is to curtail payments immediately. The company is selectly again for the conomy of its home province of Alberta. The Canadam foverment and four leading banks cohbled together a rescue package in September them substantial shareholders of loom one of North America's banks and severely dam date conomy of its home province of Alberta. The Canadam foverment and four leading banks cohbled together a mates by C\$150m "due to possible difficulties with energy related loans." Toronto Oominion, one of North America's best capitalised banks banks by \$6 per cent in Cotober 1982 to 4 per cent on January \$1. 1986 loan loss estimates by C\$150m "due to possible difficulties with energy related loans." Toronto Oominion, one of North America's best capitalised banks by \$6 per cent in Cotober 1982 to 4 per cent on January \$1. 1986 loan loss solidated loans." Toronto Oominion, one of North America's best capitalised banks by \$160 per cent in Cotober 1982 to 4 per cent on January \$1. 1986 loan loss solidated loans." Toron

Bareiy a year after Dome signed an agreement with 56 creditors to stretch repayments of its C\$6.3bn (US\$4.5bo) debt to 1995, tumbling world oil prices bave forced it to ask the ienders for new concessions. The company has proposed successions. are more strongly capitalised now than they were four years agn and have set aside substan-tial provision to cover potential losses, not only from Come but also from other energy loans as well as sovereign risk portfollos.

improved from 2.6 per cent in October 1982 to 4 per cent on January 31. 1986. The bank announced recently that it has raised its 1986 loan loss estimates by C\$150m "due to possible difficulties with energy related loans." Toronto Oominion, one of North America's best capitalised banks, lifted its loan loss provisions by 36 per cent in the quarter to January 31. To the

DARK CLOUOS are again option" at present with oil of Montreal and Toronto gathering over Dome Petroleum, the Calgary-based oil and lie does concede that it may gas producer with the dubious become one if the oil market distinction of hoing one of the fails to recover.

The drop in the proexposure of around C\$800m, who was hired in the summer gress. Dome received an averalthough the latter has a higher of 1983 to help dig Dome out age producer with the dubious become one if the oil market although the latter has a higher number of unsecured loans. proportion of unsecured loans. of its hole, says that the barrel in 1985. Each CSt per Other major creditors include Canadian Government is being barrel fall in the oil price costs But he adds: "Apart from giving us moral support, they haven't offered us any finaocial support, nor have we asked for any." the company C\$20m in eash flow and C\$9m in net income. A fall in natural gas prices of 10 cents per million cubic leet knocks another C\$14m aff cash flow and C\$6m off the bottom

The Alberta oil iodustry as a whole, however, has begun to press for tax relief. The pro-vince's energy minister will be in Ottawa this week to request the immediate abolition of a controversial petroleum and gas revenue tax which is due to be dismanifed gradually over the next three years.

spending, notably on its relatively costly heavy oil operations.

Mr Howard Macdonald, Dome's chairman, says that liquidation is "not a practical of the companies and remains a liquidation is "not a practical of the companies and remains a liquidation is "not a practical of the companies and remains a liquidation is "not a practical of the companies. It has annoyance of some institutional depressions of the companies of some institutional and the companies of some institutional and the companies of the companie

To add to Dome's burdens Caoadian interest rates are higher than they were at the end of last year and the tlanadian dellar is lower. With 85 per cent of its debt at floating rates, each percentage point rise in interest charges costs Dome CS27m in net incom-

Mr Macdonald, widely re-spected as a canny and tough negotialor, is optimistic that creditors will agree to the company's new debt rescheduling proposals before April 30. Lome has threatened to implement the plan unilaterally if that deadline is not met. "People deadline is out mel. "People recognise what we've done in the past few years." Mr Maedonald sass. "We've freated them fairly. We're all in the same leaky hoat and we're try-ing to see if we can patch it

Bernard Simon

#### Canadian Pacific sees setback

battle for Alamito, the Arizonabased energy wholesaler, appears to be moving into the final lap after the company's Agreement to an improved offer that the drastic decline ln oil prices will have a major impact on its main oil and gas arm, PanCanadian Petroleum, and indirectly on the whole group's 1986 performance.

PanCanadian has been a mainstay of Canadian Pacific's profits for the past three By Robert Gibbens in Montreal

profits for the past three four years, helping lo carry li

through the 1982-83 recession. Mr Wiliiam Stinson. Canadian Pacific president, said it will take some time for cheaper oil to benefit the rail and other transportation subsidiaries. The to benefit the rail and other transportation subsidiaries. The resources companies such as Comloco, and the pulp and paper group, it will be a difficult year and first-quarter CP profits will be lower than last year's C\$57.5m (US\$\$1.3m) or 27 cents a share.

J. LAURITZEN the Danish result came after the sale of a debt from DKr 2.8hn to debt from DKr 2.8hn to DKr 1.4hn, leaving the company ing ships.

Net financial costs were balved from DKr 307m to DKr 1.49hn, or 50 per cent of DKr 1.42m. Total assets were considered over the year from DKr 4.33m to DKr 271m. The DKr 4.3bn to DKr 2.9bn and ping activities in 1986.

# Alamito agrees raised offer

A FOUR-CORNERED takeover payment of 3.3 cents a share a share. Although this was battle for Alamito, the Arizona- for each day after July 1 that initially approved by directors, based energy wholesaler, the merger remains to be appears to be moving into the completed.

Although this was initially approved by directors, the merger remains to be action, which also forced the action, which also forced the completed.

#### Disposals reduce losses at Lauritzen

BY HILARY BARNES IN COPENHAGEN

#### Bank of Cyprus ahead despite difficult year

By Andreas Hadilpapas in Nicosia

The total assets of the group C1627m.
Mr George C. Christofides, chairman of the group, described 1985 as the most difficult year of the past decade for the Cyprus banking system.

#### Rabobank issue

THE coupoo on Rabobank's Ecu bond issue is 7% per ceot, not 7% per ceot as appeared incorrectly in the FT of April 4.

	A		Av. Efe	Coupen			Offer yield
Borrowers	Amount fil.	Maturity	years	Ŷn	Price	Book Runner	g <sub>6</sub>
U.S. DOLLARS							
Restaurant Seibo "‡	50	1991	5	3%	100	Nippon Kangyo Kakumaru	3.759
Best Denki *	45	1991	5	(4)	100	Nikko Secs. (Europe)	7 552
Union Pacific Corp. ‡	100	1996	10	754	993/4 100	UB\$ (Secs) Commerzbank	7.662 7.759
Commerchank :	109	1993	7 19	73/4 73/4	95 <sup>3</sup> /4	Merrill Lynch Cap. Micts	7.787
Schering Plough ‡ Robin	100	1990	5	)4)	100	Nomero art.	
KB lifeta ††	80 150	1 <b>98</b> 1 2011	25	)b)	100	CSFB	-
KTH Toyo Bearing I	110	1996	10	8	1001/a	Nomura Int.	7.834
locust. Fund Finland 1	93	1993	7	B	6814	Daiwa Europe	7.506
Society for Serings 1	75	1991	5	73/4	1003/4	Benk of America Int.	7.564
CARIPLO Í	100	1991	Š	0	63.8	Manufacturers Hanover	7.456
Merrill Lynch 1	100	1991	5	73	1991/2	Memili Lynch Cap. Makts	7.501
Niepon Kokan T	100	1993	7	73/4	1015	Chemical Bank Intl.	7 444
Mitschishi Corp. ":	400	1994	B	314)	100	Mikko Secs. (Europe)	7.597
Campbell Soup ‡	100	1990	12	7%	9944	Morgan Guaranty	7.397
CANADIAN DOLLARS		4045	10	<b>0</b> 16	1011:	200	9.095
British Colombia :	159	1995	10	91/4	191¼ 199¼	SBCI UBS (Secs)	9.347
Red Comada ;	159	2005 2001	20	93/2 93/2	100	CCF	9.375
Mun. Fin. Rritich Colombia ‡ Gen. Motors Acc. Corp ‡	65.5 75	1992	15 5	91/4	tet	Wood Gundy	9.027
AUSTRALIAN DOLLARS							
GMAC 1	48	1989	3	12%	191	Hambros	12.455
Landesheek Rheinland ‡	30	1989	3	13	191	Orion Royal Bank	12.580
Westil Fig. ‡	39	1989	3	13	1911/4	WestLB	12.475
NEW ZEALAND DOLLARS Pirem Fin. Serv. I	50	1989	3	101:2	1001/2	Morgan Stanley INT.	18,205
Bank of Nova Scotia ‡	59	1989	3	181/2	1001/2	Morgan Stanley Int.	18.269
SWISS FRANCS						-	. 750
Restaurant Seibu ***	50	1991	-	13/4	100	UBS	1.750 5.201
Safavray Stores ‡ Kansai Elec. Power * * ‡	150 100	2001 1991	-	51/4 43/4	1001/2	UBS BBS	4.630
Advantest Corp ***	100	1991	Ξ	17/4	1001/2	Credit Suisse	4.030
Advantest Corp **5	100	1991	Ξ	17/2		Criedt Suisse	•
News International 1	200	1990	_	53%	198	Credit Suisse	5.375
5. California Gas 🕽	159	Perp.	_	71/2	100	Wirtschafts- und Privathk	
Hokuetsu Paper Mill **‡	50	t991	-	47.8	199	Wirtschafts und Privathk	4.875
Tokzi Corp. **‡	.50	1991 2001	-	472	1001/4	Croscorp lav. Bank	4.818 4.952
Osternichische K.Bk ‡ Kansai Electric	150 100	1996	=	5 (5)	1091/2	Wirtschafts- und Privathk UBS	4.932
Sumitomo Chemical	199	1991	_	47/4	1081/4	SBC	4.818
Tobo Railway ** 5	199	1991	_	17/8	•	SBC	•
Carran Sales **	150	1991	-	•	•	Banca d. Svizz, Italiana	
World Bank :	250	Perp.	-	51/2	100	UBS	5.500
Chugoku Marina Palots ***	39	1993	-	113/4]	100	Cinicarp Inv.Bk	0.000
Bomberdier Inc. ‡ France Cables et Redio **	40 25	1999 1991	Ξ	5	100 100¾	Memil Lynch Bk (Suisse) Citicorp Inv. Bk (Suisse)	4.818
FRENCH FRANCS		-			-		
CKT ‡	000	1990	10	0.1)d)	1007/4	CCF	
LUXEMBOURG FRANCS Yanggunga Glass **1	300	1991	5	81/e	180	Krediethank Int.	8.125
STERLING			· · · · · ·				
Nippon Credit Bk ±	50	1993	7	91/4	1911/4	Deinwort Berson	8.878
ind. Bk Japan ‡	50	1991	5	gve	101 44	Morgan Grenfell	8.805
Royal Trust Co 1	25(a)	1991	5	934	109	J. H. Schroder Wagg	9.375
5. Australia Gov. Fin ‡ Scottish & Henreastle ‡	59 50	1991 2006	5 20	91/2 93/4	1991/2	S.G. Warburg HBI Samuel	8.996 9.693
		2000					
O MARKS First Interstate Bil. Crp 1	100	1990	10	53/4	1001/4	CSF8	5.716
inter American Bev. Bk :	259	2001	15	0	100	Deutsche Bank	0.00
E18 :	150	199B	12	51/2	99	Dresdner Bank	5.617
ECtis							
Banque Parilia4 ‡	200(c)	1994	0	71/4	100%	Banque Pairlias Cap.Mikts	7.13
Rehebank Ned. ‡	75	1996	10	71/2	191	SBCI	7.35
YEN		0001		63:	10414	Name La	5.24
Dow Chemical ‡ Household Fin, Corp 1	25ba 18ba	2091 1996	15 10	63/± 0	19174 10174	Nomera Int. Nitsubishi Fig. Int.	5.919
DANISH KRONER Sweden 1	500	1993	7	83/a	100	Privathanken	8.379
		,,,,,,					
SUILDERS	290	2886	29	67/4	1901/2	ABN	6.79

This advertisement complies with the requirements of the Council of The Stock Exchange. If these and constitute an opposit, or authoritation to the public to subscribe power purchase, any securities Yen 30,000,000,000

(b) 3rs Likid & 15b.p. (c) plus £50m tap.



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6 per cent. Bonds Due 1996

The following bore agreed to subscribe or procure subscribers for the Bonds:

#### **IBJ International Limited**

MORGAN GUARANTY LTD HAMBROS BANK LIMITED

LTCB INTERNATIONAL LIMITEO

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Nomura International Limiteo

WESTPAC BANKING CORPORATION

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PRIVATBANKEN A/S

New Zealand \$70,000,000

17% Notes Due October 1988

issued on a fiduciary basis by International Bankers Incorporated S.A. in respect of interests, rights and obligations arising under a loan made by it to

Kredietbank S.A. Luxembourgeoise

KREDIETBANK INTERNATIONAL GROUP WESTDEUTSCHE LANDESBANK GIROZENTRALE

ALGEMENE BANK NEDERLAND N. V. BANK OF TOKYO INTERNATIONAL LIMITED BANQUE INTERNATIONALE à LUXEMBOURG S. A. BERLINER HANDELS-UND FRANKFURTER BANK CREOIT COMMUNAL DE BELGIQUE S. A. CREDIT SUISSE FIRST BOSTON LIMITED DG BANK DEUTSCHE GENOSSENSCHAFTSBANK CIROZENTRALE UND BANK DER ÜSTERREICHISCHEN SPARKASSEN IBI INTERNATIONAL LIMITED

MITSUBISHI FINANCE INTERNATIONAL LIMITED

AMRO INTERNATIONAL LIMITED BANQUE BRUXELLES LAMBERT S.A. BAYERISCHE I. ANDESBANK GIROZENTRALE CREDIT COMMERCIAL OF FRANCE CIBC LIMITED CREDIT LYONNAIS DAIWA EUROPE LIMITEO DIE ERSTE ÖSTERREICHISCHE SPAR-CASSE-BANK GENOSSENSCHAFTLICHE ZENTRALBANK AG

F. W. HOLST & CO. LLOYDS MERCHANT BANK LIMITEO MANUFACTURERS HANOVER LIMITED NEDERLANDSE CREDIETBANK N. V. NORODELTSCHE LANOESBANK GIROZENTRALE STANDARD CHARTERED MERCHANT BANK YAMAICHI INTERNATIONAL (EUROPE) LIMITEO

All of these securities have been sold. This announcement appears as a matter of record only. 3nl October, 1985

Bank of Tokyo International Limited

Banque Bruxelles Lambert S.A.

Citicorp Investment Bank Limited

Daiwa Europe Limited

Enskilda Securities Mitsui Finance International Limited

Morgan Stanley International Nomura International Limited

Salomon Brothers International Limited S.G. Warburg & Co. Ltd.

**Bankers Trust International Limited** Banque Nationale de Paris

Credit Suisse First Boston Limited Deutsche Bank Capital Markets Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A. Morgan Guaranty Ltd

> The Nikko Securities Co., (Europe) Ltd. Post-och Kreditbanken, PKbanken

Svenska Handelsbanken Group Swiss Bank Corporation International Limited Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited

The issue price of the Bonds is 100% per cent of their principal amount. Application has been made to the Council of the Stock Exchange for the Bonds to be admitted to the Official tist

Interest will be payable annually in arrest in April of each year, beginning on 9th April, 1987. Particulars of the Bonds and the Issuer are available in the statistical service of I stel Statistical Services Limited and copies may be obtained during usual business hours up to and including 9th April, 1986 from the Company Amounteements Office of The Stock Exchange and up to and including 21st April 1980 from

> IBJ International Limited. Buckler-bury House. 3 Queen Victoria Street, London EC+N8BR

Hoare Govett Ltd.. Heron House, 319:325 High Holborn, London WC1V"PB

Titi April, 1986

+7 R2.9 8-2 2.121.5 +2 R3.5 8.5 3.4 6.6 R2.5 3.5 2.5 18.6 U2.5 5.0 2.118.6 U2.8 2.2 4.112.4 -1 Q8.976 2.5 1.921.0

FIXED INTEREST STOCKS

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**EQUITIES** 

# Sealing systems behind 20% advance at Laird

Laird Group, the diversified engineering £100.1m (£78.33m) new areas of activity should ongineering concern, achieved and £3.79m (£3.42m); transport compensate for transport's deal concern gain in pre-tax systems £79.32m (£80.74m) and cline, although the City can profits in 1985 thanks mainly £4,55m (£5.54m). to a 43 per cent advance from its growing sealing aystems division. Profits from the group's traditional transport systems were down by £1m.

The group profit comes out at a record £28.98m, compared with £24.1m and maintains the growth shown at midway.

The dividend is raised from
5.5p net per 25p share to 6p,
with a final of 3.6p.
The directors point out thot

during the year acquisitions With its interim results the were made at a total cost of Laird Group finally succeeded

McKechnie bid

McKechnie Brothers' £65m

by the hardware branded pro-

of the Newman share capital, Taking its own holding into

account, McKechnie's stake

therefore totals 18.21 per cent.

But Dr Jim Butler, the McKechnie chairman, hinted

that other takeovers—agreed if possible—were being contem-plated. "There are other fish in

the sea. We shall continue to

pursue opportunities for accel-

erating McKechnic's profitable growth," be said. McKechnie is

expected to sell its Newman Tooks state in the near future.

Mr Edward Barnes, the New-man Tonks' managing director,

look forward to being able to devote all our attention to

running the business."

"We are delighted at the overwhelming level of support from our sharebolders. We now

S. G. Warburg & Co. Ltd.

Hambros Bank Limited

Rabobank Nederland

Swiss Volksbank

Kleinwort, Benson Limited

Merrill Lynch Capital Markets

Morgan Stanley International

Westdeutsche Landesbank

Girozentrale

**DBS Bank** 

**ANZ Merchant Bank Limited** 

Crédit Commercial de France

Citicorp Investment Bank Limited

beaten off

by Tonks

By David Goodhart

ducts group.

f9.36m (£7.85m) and extra-ordinary items of £378,000 (£7.68,000) the available profit for the year comes out at £19.24m compared with £15.47m. Earnings per sbare are 24.9p (20.7p).

Net assets per share are shown at 135.8p (137.9p).

Laird Group finally succeeded in convincing the City that it bas diversified away from its were made at a total cost of £1.2 ard Group finally succeeded £10.4 m. These accounted for turoover of £23.4 m and profit (before tax interest and expenses) of £2.3 m.

The group turnover and profit before tax is split as to: sealing systems £100.4 m (£71.42 m) ond £13.76 m (£9.61 m); service industries £95.12 m (£87.91 m) and £6.24 m (£5.42 m); specialist timely. Luckily for Laird the specific away from its company puts lts casbplle, now £30 m or ao, to good use before boosting the sbares again. The company is well aware of the before tax is split as to: sealing when the end of the train conpany is well aware of the problem and is secuting about for likely investments, but its fifth core division is likely to emerge in 1987 rather than £6.24 m (£5.42 m); specialist

expect little more than £31m After providing for tax of this year. Sealants should of the recent French acquisi-tions and continued growth tions and continued growth from West Germany. Services may suffer slightly in the US, although Laird Catering's prospects are healthy. While special engineering ahould still be dogged by the tristes of New York Drill Twist. Laird's ahares have soared in the last aix months, transforming its p/e from single figures to a pro-spective 11.5 at 323p, but the

# T & N cuts S. African stake

All these securities having been sold, this announcement appears as a matter of record only.

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

Turner & Newall, the Indus- panies are experiencing antitrial materials manufacturer, is the latest British company to reduce investment in South Africa with the annouacement hostile bid for Newman Tonks has been comfortably besten off that it is selling part of its stake in its South African subsidiary in order to redoce reliance on South African earnings and to improve its image with the atock By the final close of its offer yesterday afternoon, McKechnie had received acceptances from the bolders of only 3.24 per cent

market. The company's holding in Turoer & Nawall Holdings, the South African subsidiary which manufactures friction materials and automotive gaskets, will be reduced from 78 per cent to 51 per cent through a flotation on the Johanneshurg stock

exchange.
The Old Mutual, South
Africa's largest insurance group, has beld a 20 ner cent stake in TNH since 1977.

Mr M. C. Pretorius, the South African chief executive, said that the British parent bad been planning to reduce its interest since 1983, but delayed because of a profit dip in that year when new operations woro com-missioned.

It is "an unfortunate coincidence that our decision should come at a time when should come at a time when The company's sbares fell by other foreign controlled com- 3p to 218p on Friday.

apartheid pressures," be said. Although the subsidiary has expanded rapidly since Turner & Newall'a initial investment in the 1960s, the volatility of the South African economy has detracted from its contribution.

At its peak in 1984, for example, South Africa contributed £6m or 29 per cent of group profits. In 1985, although local currency profits increased by 25 per cent South Africa contributed just £5m or 13 per cent of group profits, because of the devaluation of the rand. Given that Turoer & Newall

is eager to improve its standing on the stock market, baviog recovered from near-collapse in the early 1980s, such beavy reliance on South African earnings compounds its Image prob-

Turner & Newall expects to generate £4m from the flotation, which will be ploughed into acquisitions. According to Mr Hope the company is actively looking for acquisition oppo-tunities within its established fields in Europe and the US.

#### **Key talks** at Standard **Chartered** tomorrow

By David Lascelles, Banking Correspond

THE board of Standard Chartared Bank will consider the £1.17bn takeover proposal from Lloyde Bank tomorrow according to e spokesman for the bank last night.

The meeting is the regular

monthly get-together of the board, and was not convened specially in the light of the hid. There will be no further statement from the bank until

The spakesman described as

a speculative" a suggestion in the weekend press that BAT Industries had contacted Standard Chartered about the ossibilities of a counter-bid, There is no evidence for it," be said. A spokesman at BAT sald the company did not comment on market rumours.
Standard has rejected
Lloyds approach as "unwelcome" because it is in the
farm of a takeover that would obsorb Standard, rather than a merger that would preserve some of its independent

some o identity. City analysts also point ont that the proposed price of 750p per share is below Stan-dard Chartered's net asset value of 795p, and that Lloyds may have to increase it or face o rival hld.

#### Campari bid lapses

A takeover bid for Cam-pari International, the sports equipment group, by Swedish businessman Aake Nordin, has lapsed after receiving acceptances covering 1.47 per cent of the equity. The bid was not intended to succeed, and was only made to comply with the demands of the Takeover Code when Mr Nordin upped his stake

#### Wyndham fails

Wyndham Gronp, the en-gineering, property and finan-cial services concern, has failed with its £1.89m takeover bid for John Williams of Cardiff, a steel stockholder and founder. By Friday'a closing date the offer bad been accepted by the belders of 26.1 per cent of Williams' ordinary shares, raising ordinary shares, raising Wyndham's control to just

# **Guinness sells top** hotel to Air France for £31m

BY DAVID GOODHART

Guinness yesterday hailed its sale of the recently refurbished New Plecadily Hetel to Air France as just one part of an extended collaborative venture between the two companies.

The botel, which has been sold to the Air France subsidiary, Societe des Hotels Meridien, for £31m, is one of four in the Glensagles Group which Guinness acquired last year as part of its £360m hid for Arthur Bell, the distiller,

Mr Simon Duffy, Guinness's debt and "get the balance sheet into better shape" but also stressed the wider marketing benefits.

The sale agreement specifies that Champneys, Guinness's bealth-care subsidiary, will retain a 20-year management contract to operate the health club within the New Piccadilly, Simolar deals are being discussed at two other Meridien hotels.

In addition, Bell's whisky will be promoted in Meridien's 50 hotels througbout the world. Air France already bas an bids now close on April 18,

#### UB decides today on appeal to Takeover Panel MORGAN GRENFELL, finan- been consistently over-stating

the value of its rival bid for the group.

Imperial believes that the value of UB's offer is now almost identical to Hanson's, and that most recent calculations bave been over-valuing terday: "We believe that the the Hanson offer by about 10p. Imperial alleges that the nominal value of Hanson's units under the stock bas bolders and employees."

MORGAN GRENFELL, financial advisers to United Bis...ts its value by comparison with in its agreed £2,7bn hid for the performance of the continuous decide whether to appeal to the Takeover Panel over Hanson Trans's interpretation of value of the hid should not the value of its rival hid for the group.

Imperial helieves that the between the two offers in the

#### Premier chief demands seat on Goal board

BY DOMINIC LAWSON

MR ROLAND Shaw, chairman of Premier Consolidated
Olifields, is demanding a seat
on the board of fellow oil explorer Goal Petroleum Premior
recently acquired 400,000 Goal
2p, is capitalised at about £28m. per cent.

At the end of last month Goal agreed to acquire Third Triton Pertoleum for 6.5m shares and an undisclosed cash sum. Premier is believed to be concerned to onsure that it will not be surprised by any future moves by Goal

price." In particular It has a 5 per cent stake in the giant ousbore Wytch Farm oilfield. Premier's main asset is a 12.5

beares, raising its stake to 12 But Mr Shaw said that there per cent.

At the end of last month Goal

move is not entirely welcome board to other major investors including Norwich Union Hydrocarbons which has a 29.9 per cent stake.

Premier said that it had gained a L3m acre tract to to revitalise Goal which, be Papua, New Guinea. It is the said, "bas many very useful company's second big move assets, oven at this terrible oil into the Far East in recent into the Far East in recent in the same of the s weeks. In February it acquired a 2.3m acre tract in the Gulf of Thailand. See Men & Matters

#### OCL at £70m but warns of lower earnings this year

orerseas Containers (OCL), argo liner concern, has uncounced a rise in pre-tax or the year ended November 31 985, hut repeated its warning hat 1986 would produce lower arnings. cargo liner concern, has announced a rise in pre-tax profits from £55.6m to £70.2m for the year ended November 31 1985, hut repeated its warning that 1986 would produce lower

that 1986 would produce lower earnings.

"OCL cannot ultimately sscape the brute force of the marketplace, bowever nimble we may seek to be," said Mr Kerry St Johnston, the chairman, "and we expect 1986 profits to suffer accordingly."

The result for the financial year to November 31 1985, was in line with analysts' expectain line with analysts' expecta-tions. OCL is owned by Penin-sular & Oriental Steam Naviga-tion, Ocean Transport and Trading, and British and Com-

Trading, and Britisb and Commonwealth Shipping.

OCL bas been foced on its main routes between Europe and Asia with increasing competition and falling freight rates as rival tonnage has come onto the market, notably from United States Lines and Evergreen of Taiwan.

Rumours of an imminent bid lad to Abaeo's shares soaring from 37p at the end of Last weak to 50p on Thursday night. After yesterday's announcement, the shares closed imchanged at 50p.

In February the British and Commonwealth Shipping Group increased its stake in Abaeo.

£70m, and interest charges from £18.9m to £8.6m. Attributable profits totalled £38.8m against a 1983-84 loss of £9.7m caused by extra tax Abaco denial Abaco, the financial services group, said that it had received no approaches for a takeover. Rumours of an imminent bid

repaying debt early. Group debt was down from £108m to

£70m, and interest charges from

green of Taiwan.

But Mr St Johnston said "we supect, nevertheless, to make a said it bod no intention of respectable profit." Cash flow gaining control of the group.

#### **BankAmerica** Corporation

U.S. \$400,000,000

Floating Rate Subordinated Capital Notes Due 1997 Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 7th April, 1986 to 7th May, 1986 the following will apply: 9th June, 1986

1. Interest Payment Date: 2. Rate of Interest for Sub-period; 3. Interest Amount payable

for Sub-period: 4. Accumulated Interest Amount payable:

US \$307.29 per US\$ 50,000 nominal US \$640.97

74% per annum

per US\$ 50,000 nominal

5. Next Interest Sub-period will be from 7th May, 1986 to 9th June, 1986. Bank of America International Limited

lasue			nunc.			Stock	106	<b>+</b> o	
brice	<b>₹</b> ₹	CLEATE .	High	Low	<u> </u>			20	
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#### PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the pext few weeks are given in the following table. The dates shown are these of last year's announcements except where the forthcoming board meetings (indicated thus) have been officially applied. Dividends to be declared will not necessarily be at the amounts in the column beaded "Announcement last year."

Time and the sear		
Date ment lest	Dete	Announce. Ingut lest
Akroyd &	Tapone lade spr. 17	Final 5.56
Smithers May 7 Interim 4.0	Leing (J.)Apr 10	
9CL APP 25 Finel 14.0	Marks &	Interior 4.0
		Mars 2 22
*Benk of	Spencer May 7	Final 2.32
	"Mowlem (J.) Apr 10	Final 9.73
Scotland Apr 23 Final 8.25	NELApr 17	Float 3.6
allton (P.)Apr 22 Final 6.6	PentlandApr 7	Final 2.1
Bowater Apr 15 'Finel 5.0'	RMCApr 17	Final 8.8
. Aritist Home	, *Rio Tieto	
StoresMay 7 Final 6.0	ZncApr 9	Final 13.5
Brixton	Royal Bank of	
EstateApr 17 Final 3.05	ScotlandMay 9	Interim 3.6
*aurmah OilApr 10 Final 7.25	*Rugby Portland	
*CooksonApr 10 'Final 8.25	. ComentApr . 7	Final 3.3
Costain	Semuel Props Apr 25	. Interim 1.6
EtapsApr 17 Final 2.1	. Simon .	_ :
European	. Engineering Apr 29	Fign 5.6
FerriesMsy a Final 3.2	"Smiths IndsApr a	Interim 1.S
Evered Apr 10 Final 1.6	. Staffs PottsMar 29	Interim 1.0
Flight	Stakle	Interim 0.4
RefuellingApr 26 Final 2.025	Standard	, migration of y
FosecoMey 1 Fire! 4.7	Chartered Mar 25	Final 18.0
*GlaxoApr 15 Interim 9.0	TerinacApr 30	
*Glynwed lett Apr 7 Final 6.0	Taylor	, t mar 1220
FHall -	VicodrowApr 15	E-1110
(Matthew) Apr 16 Final 8,525	Travia and	Line Livo
Hemmerson	ArnoldApr 15	Chat 6 07 /
PropApr 19. Final 6.5	UEIMay 3	
Harris	Wardie	Liust 2 to
QueenswayApr 18 Final 2.75		1-1-47
*Hawket	StoreyeMay .9	Interim 1.7
Siddeley Apr 19 Final 7.7	Ward White Apr 18	
Hepworth (J.) Apr 10 : Interim 1.0	WhessonMay 9	Interim 2.5
makener of fart ade in themself and	Wimpey (G.)Apr 24	Final 2.4

#### Share stakes CHANGES in company share

stakes announced over the past week include:

Consultants (Computer and Financial). Director M. Fryer-Kelsey disposed of 10,000 ordinary on March 1.

American Trust Director Mr F. J. Stewart, as trustee, aold 12,560 ordinary at 146p on March 27.

Capital Georing Trust. Director Lt Col H. C. E. Harding sold 9,700 shares and directors Mojor G. W. C. Harding's non-beneficial bolding has been reduced by 11,700 shares; 81,376 shares bave been transferred from Capel-Cure Myers "ID" account to the children of Major Harding.

# Granville & Co. Limited

8 Levet Lane London EC3R 88P Telephone 01-621 1212 Over-the-Counter Market

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Capitallas to.			Change.	Cimes	VIADI		Fully
£000's	Company	· Price	On Wash	div (n		Section 1	
4,508		132	d	7.3	-7	a.1	7.5
	Ass. ant. Ind., CULS	138	- <del></del>		7.2		
4.10B	A)MOMING GRADE .	138	+1		9 9	12.0	
875 -	Armitegs and Rhodes			. E.A	12.5	4.3	6.2
		176	-1			22.3	
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463	CCL Ordinary	198		12.0		8.4	
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	John Howard and Co.	61	. —	5.0		4.8	
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1,004	lordev sed Carlinia	CO.	- <u>2</u>	· ·		<b>3.5</b>	
. 1,480	i reviso Holdinge	220		P.U.	7.2	3.5	.63
4,341	Unlock Holdings	.55	+2	7.8		8.9	
22 433	Walter Alexander	- 03	72	2.1	4.0	14.4	74.1

#### FINANCIAL TIMES STOCK INDICES

	April 4	April	April 2	April 1	Mar. 97	Mar. 20	High		Aines Go High	mpilation Low
Government Secs.	91.47	i 91.93	92.34	82,55	÷91,87	91.12	92.55	80.39	127.4	49,18
Fixed Interest	96,87	96,80	86.65	96,02	195,50	94.86	90,25	86,55	150,4	50,63
Ordinary	1420.9	1425.8	1419,4	1408,2	1597,7	1380,4	1425.9	1094.S	1425,9	49.4
Gold Mines	290.8	290,5	282,0	279,9	360 B	291.8	357.0	257.5	784.7	43.5
FT-Act All.Share	232,35	432.59	a25.00	118,22	a10,48	805,86	238,39	664.48	ase.39	a1.92
FT-SE100 + C'test.	1709.7	1717.0	1702.9	1684.0	11068.8	1003.9	1717.5	1370.1	17176	aru a



Baring Brothers & Co., Limited

County Bank Limited

Kansallis Banking Group

LTCB International Limited

Orion Royal Bank Limited

Morgan Grenfell & Co. Limited

Yamaichi International (Europe)

Limited

**Barclays Merchant Bank Limited** 

Credit Suisse First Boston Limited

DG BANK Deutsche Genossenschaftsbank

J. Henry Schroder Wagg & Co. Limited

The Union Discount Company of London, p.l.c.

N.A.V. at 31,3.86 U5539.47 VIKING RESOURCES INTERNATIONAL N.V.

INFO Pierson Heldring & Pierson N.V. ngrach) 214, Amaterdam

# Reshuffle at Japanese MOF

BY JUREK MARTIN IN TOKYO

ES

ENDS

MR TOYOO GYOHTEN, one of the leading internationalists in the Japanese bureancracy, is to assume the bureancracy, is to assume the influential position of Deputy Finance Minister for international affairs in June.

He will succeed Mr Tomomits Obs. who has held the post for the west three years.

thitsu Oba, who has held the post for the past three years and who is retiring. In another important change, Mr Yoshihiko Yoshino will become vice minister, under Mr Noboru Takeshita, the Finance Minister.

Mr Gyohten, who is 55, is

currently director general of MOF's international finance bureau and already a power-ful voice in policy-making. He has long been considered the favonrite to take over from Mr Oha.

A career MOF man, Mr Gyotten went to Tokyo University, the training ground for Japan's civil ser-vice clite, and Princeton in the US. His English is flaw-

In his current post, he has pushed hard for the creation of an offshore financial centre

in Tokyo, along New York lines. He has also been a strong advocate of the import-ance of encouraging wider use of the yen in luier-national markets.

Although the international school juside MOF has been gaining strength in recent years, the Ministry remains a delicate balance of internal competing forces. Mr Gyohien's rise, and that of Mr Oba before him, does not mean that the more conserva-tive, inward-looking economic managers have been routed.

#### Litigation post at Price

#### Waterhouse

By Our Financial Staff

MR PETER B. FRANK has been MR PETER B. FRANK has been appointed Price Waterhouse national director of litigation consulting services. Mr Joseph E. Connor, chairman and senior partner of Price Waterhouse, the international accountants, says: "Litigation in the US is increasing in number and complexity. Mr Frank's extension. plexity. Mr Frank'a extensive



Mr Peter B. Frank: intenlitigation efforts

background and experience will enhance our efforts to provide litigation services."

Mr Frank will direct Price Waterbouse Litigation consulting services from the firm's offices in Los Angeles.

Mr Frank joined Price Waterbouse in 1966 and was admitted to partnership in 1977.

Price Waterbouse employing some 28,000, has 390 offices around the world.

BY OUR FINANCIAL STAFF

BAHRAIN Middle East Bank (BMB) has announced the appointment of Mr Jean Francis Seznec as senior vice-president and senior representative for the US, C2nada and Latin America, based in New York, BMB is a Bahrain-registered offshore bank which also bas, representative offices in London and Hoog Kong and a

#### Coleco officer to quit

BY PAUL TAYLOR IN NEW YORK

COLECO's chief financial officer, Mr David Ruggles, said yesterday that he is "in the process of resigning" from the US toys and Cahbage Patch dolls group.

Mr Ruggles, who joined the West Hartford, Connecticuthased group from Pneumo Corporation of the Mr Ruggles with the connecticuthased group from Pneumo Corporation of the Mr Ruggles with the connecticuthased group from Pneumo Corporation of the Mr Ruggles with the connecticuthased group from Pneumo Corporation of the Corpo

Mr Ruggles, who joined the West Hartford, Connecticut-hased group from Pneumo Corporation, has been credited with helping, turn the once alling group around by wiping out \$100m in short-term bank loans. and

rd, Connecticutrom Pneumo Corrom Pneumo Corbeen credited from "bad chemistry. We are
bands-on people. Dave wasn't of
that nature." The two Coleco
short-term bank
strengthening asseverance deal.

#### Alan Ladd Jr elected MGM head

TURNER BROADCASTING
System has appointed Mr Alan
Ladd, Jr chairman and chief
executive officer of MetroGoldwyn-Mayer Entertainment Company, reports Reuter from Culver City, California.

This follows the completion of Turner Broadcasting's acqui-sition of MGM/UA Entertain-

As part of the transaction.
United Artists stock was sold to Tracinda Corporation, which in turn sold the stock to MGM/UA shareholders.

Mr Ladd had been president and chief operating officer of MGM/UA. Turner adds that, with the

conclusion of the acquisition, funds earmarked for theatrical film-making have become availminimaking have become available immediately, allowing Metro-Goldwyn-Mayer uninterrupted production activities.

the international management consultants, has appointed Mr Luigi di Paola a partner in its Brussels office,

#### Bahrain Bank international role

has representative offices in Devel-London and Hoog Kong and a years.

BAHRAIN Middle East Bank trade and investment banking (BMB) has announced the affiliate in Geneva.

appointment of Mr Jean Fran-Mr Seznec has wide experimr Seznec has wide experience of the Middle East and particularly of the Saudi Arablan market. After joining Chase Manhattan Bank in 1973 he was seconded to the Riyadhbased Saudi International Development Fund for six

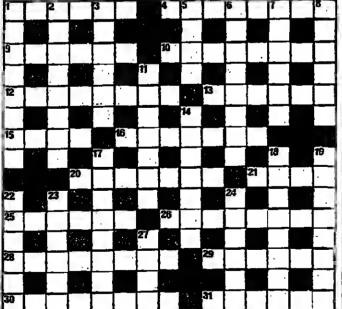
#### THE FINANCIAL TIMES is proposing to publish a Survey on RETAIL PROPERTY

This Survey will now appear on Friday April 25 1986 For further information, please contact: Gerrard Rudd, 01-248 0769 Details of Financial Times Surveys are subject to change at the discretion of the Editor

FINANCIAL TIMES Europe's Business Newspaper

#### F.T. CROSSWORD PUZZLE No. 5,990

DINMUTZ



ACROSS

Willow, for example, as rocket-site? (6) 1 Willow, 4 Summary of plot-—and nothing besides— mixed " (8)

9 Kind of medicine for bed-case losing heart? (6) 10 Many revs make small cars

go (8)
12 Crotchety piece of music topping piece? (8)
18 Said to support Mrs Pooter

(6) 15 Outbreak of raio in the country (4) 16 Laid back etc., in a way,

this form of language (7)
20 Samoyed to wander in the distant future (7) 21 Depression before a soap-

opera (4)
25 Nothing elear about this authority (6)
26 Early warning sent out by Air Force, say? (8)
28 Careful, though brusque (8)
29 Cludeside Moli? (6) opera (4)

29 Clydeside Moll? (6)
30 Such elevation shows adult tie is broken (8) 31 Uncouth fellow got a look

1 China cup made to friar's

2 Fixed allowance a pound That is realistic! (8) 3 Ansermet's name given a pledge, say (6)

Coffee Ingredient Circle Line left out—that is stylisb! (4) 6 Bothersome person is in the shade (8)

7 Sharp reply used by distil-Colourless element found in tents (6) 11 10, perbaps, making a case

for television (7)
14 Something fishy left io a straw hat (7)
17 Solid fuel left for China (8)
18 Way of talking in bars? (8) Sort of artist whose work is intended for the Walker Gal-

lery? (8) Appealing Italian barmaid?

Bizarre exit? (3,3) This lady is not from Tou-louse, nor Auch—yet she is biding there! (6) 27 Silver-headed editor is getting on (4)

The solution to last Saturday's prize puzzle will be published with names of winners

#### SAS changes • structure of management

By Our Financial Staff SCANDINAVIAN Airlines System has changed its man-agement structure, to become headed by a president and vice president.

Mr Jan Carlzon, the SAS group president and chief executive, is also to be chair-man of the airline executive man of the airline executive committee; Mr Lars Bergvall has been appointed executive vice president and chief operating officer of the airline, with Mr Bengt Hägglund becoming his deputy and airline executions. line vice president.

Mr Carlzon remains presi-dent and chief executive of the group. The group management will include three agement will incinde inree executive vice presidents representing each of the countries in which SAS is the national earrier — Denmark, Norway and Sweden. Mr Frede Ahlgreen Eriksen represents Denmark; Mr Heige Lindberg Norway; and Mr Per-Axel Brommesson

Sweden. Mr Nils Molander, executive vice president for finance (planning and control), has also been named board chair-man of the 8AS distribution companies — Travel Manage-ment Group, Business Travel Systems, and Diners Club Nordic.

The appointment of an independent management for the airline division will relieve Mr Carlzon and other members of the group management from daily operational responsibility of the

#### Mitsukoshi elects chief

MITSUKOSHI, the Japanese department store concern, has appointed Mr Yoshiaki Sakakura, 64, its managing director, as president, in succession to Mr Akira Ichihara, 72, reports Kyodo from Tokyo.

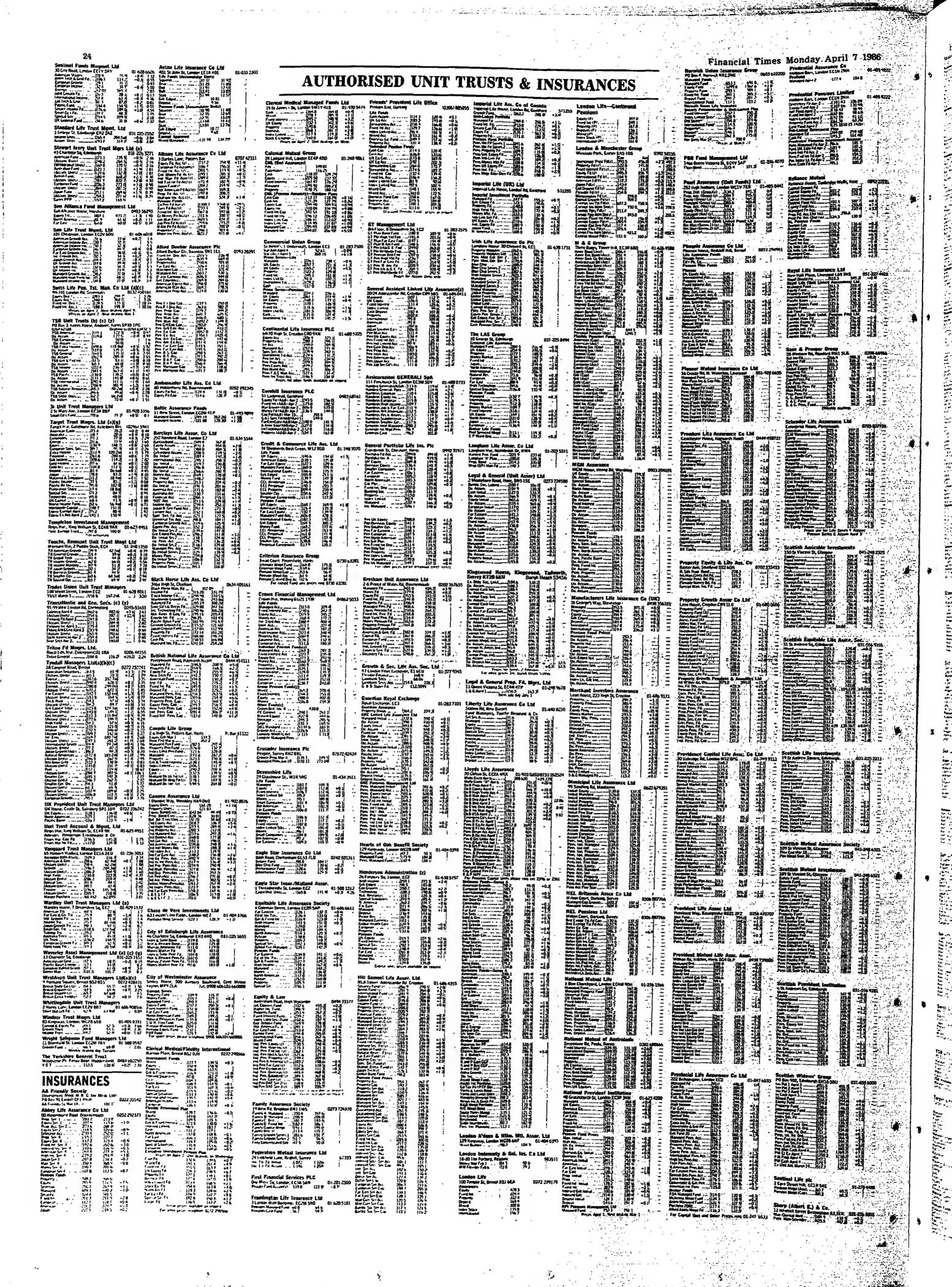
Mr Ichihara, who took over the presidency of the so-called "Japanese Harrod's" after the former president. Mr Shigeru Okada was dismissed, following a scandal, in September, 1982,

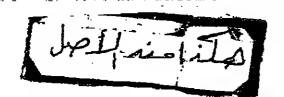
a scandal, in September, 1982, has been promoted to chair-man. Mr Iehihara bas an nounced that he is to be appointed chairman of The Japan Department Stores Association at a meeting on May 16.
Mr Sakakura joined Mitsu-

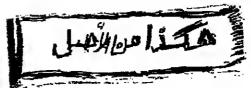
koshi in 1946, after graduating from Keio University. Mitsukoshi recorded sales of sbout Y570bn (\$3.1bn) in its 1985 husiness year, to February, near to the record Y586bn reached in 1981, and made pre-tax profits of Y6be (\$33m).

#### FT UNIT TRUST INFORMATION SERVICE

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**BUSINESSMAN'S DIARY** 

UK TRADE FAIRS AND EXHIBITIONS

Current British International Antiques

nachimila palaka kentriban basa

26699) May 11-14

May 12-16

Show (01-385 1200)

April 21-25
International Packaging Exhibition—PAKEX (021-705 6707)
NEC, Birmingham
April 29-Hay 1
British Electronics Week (0789

Business to Business Exhibition (01-729 0677) Barbican Centre

#### £21m orders for Willett

WILLETT, a Trafalgar House WILLETT, a Trafalgar House Group compeny based at Mitcham, has won some £21m-worth of contracts, including the HQ and administration building for Fidelity Insurance at Hildenborough, Kent. A series of design and construct contracts includes a distribution centre and offices for DAF trucks (GB) at Thame, and a superstore development at New Malden for Trafalgar Brookmount in conjunction with Tesco.

gar Brookmount in conjunction with Tesco.

A 50,000 sq ft distribution centre is underway for Beecham Products at St Albans and, among Willelt refurbishment contracts, is work at Plymouth, Bristol and Maidenhead for Barclays Bank as well as work on a Grade I listed bnilding at Golden Cross, Oxford, for Whittingham Properties.

CONSTRUCTORS TERN, a subconstructions term, a subsidiary of Consolidated Term Investments, has the £5.1m contract to build the Dyfed/Powys police headquarters at Carmartien. Term Southern, another subsidiary, has been awarded the £1.75m design and build contract for a sports com-plex at Eastbourne, Sussex.

D. T. BULLOCK & CO. Aldridge, bas won s £2m contract to modernise 148 married quarters at RAF Newton for the Property Services Agency, and Orbit Housing Association has placed a contract to build sheltered housing at Wigston Rd, Coveotry, worth £663,000. For City of Birmingham District Council the Birmingham District Council the company is about to start on an environmental improvement project to 99 houses at Arley Rd and Membury Rd, Saltiey, worth £847,000; for Wycombe District Council, improvements to 42 homes at Princes Risborough, value £652,000; and for Halton Borough Council, moderoisation of 58 homes at Hale Bank, Widnes, value £53,000.

FAIRCLOUGH SCOTLAND bas been awarded a £942,000 contract for a diversion to the AS35 Tore-Ullapool trunk road at Contin, Ross-shire. The Reofrew-based construction company will build a 60 metre-long two-span reinforced-concrete bridge with single - carriageway approach roads to supersede the old masonry bridge—which is now below standard—over the River Blackwater. Contract completion date is in the autumn of 1987.

JAMES LONGLEY & CO has won contracts worth £5m for projects in London, Kent and Surrey, In Wandsworth, SW18, Surrey, In Wandsworth, SW18, Longley is building a film Texas DIY retail store of 50,000 sq ft sion plant et Kilroot Power for Conrad Phoenix Properties and a film sbettered housing development of 53 firsts for tha Anchor Housing Association Work is also underway in Red-bill on a £1.9m four-storey office bill on a £1.9m four-storey diffice property and two-storey car park for the Lazards Property Unit Trust. In Tunbridge Wells, Longley is building a two-storey pathology laboratory unit and resident medical officer accommodation for the Nuffield Hospital and is refurbishing offices in Mount Ephraim Rd.

Poculto 1025

#### CONSTRUCTION

#### **Edwardian hotel glories** restored in Manchester

furbish the Midland Hotel in Manchester. A joint venture partnership between Commercial Union Insurance, the Greater Manchester Council and Holiday Inns UK is funding the project, which will ultimately cost £14.6m with the Department of the Environment contributing £2.2m as an urban development grant. The contract was pisced by the Midland Hotel & Conference Centre, the partnership company. Fairclough will refurbish the centre, the partnership company.

Fairclough will refurbish the interior to provide 310 airconditioned bedrooms and suites. All the public rooms, such as the French Restaurant and the Trafford Room, will be restored to their original Edwardian elegance and conformation. to their original Edwardian elegance, and conference and banqueting facilities for up to 700 people will be created on the ground floor. The company will also construct an entertainment har on the ground floor and a leisure centre—with swimming pool. gyn, squasb courts and saunas—in the basement.

FAIRCLOUGH BUILDING bas won a big hotel project. Under a contract worth 19m, the company is to reconstruct and refurbish the Midland Hotel in Manchester. A loint venture partnership between Commercial Union Insurance, the Greater Manchester Council and Holiday Inns UK is funding the project, which will ultimately cost £14.6m

The existing casino will be relocated in improved premises at the corner of the hotel fronting St Peter's Square. Fairclough will also renew all service throughout the building, including the passenger lifts. The modernised botel, which is programmed for completion in the spring of 1987, will operate as a five-star which will ultimately cost £14.6m Crown Plaza in conjunction with the adjoining new exhibition

the adjoining new exhibition tentre.

Fairclough has started work on three projects in Wales, at Pontypool, Cardiff and Carmarthen, worth in total around fi.2m. Largest is a f700,000-plus contract for construction of an old persons' home and caretaker's bungalow at Penygarn, Pontypool, for Gwent County Council, Due for completion in summer next year, the 34 bedsit residential home is the latest in a series of similar schemes built by the company throughout the Welsb valleys. The other projects are construction of leisure facilities at the Post House Hotel, Cardiff, and refurbishment of Barclays Bank in Carmarthen.

#### Moving ballast by barge

Over the next few weeks, more to the north of the city, by a than 20,000 tonnes of ballast will six-span structure. This bas be shipped to a road contract in required cofferdams for the be sbipped to a road contract in York using the river network. Six barges are ferrying the material from near Gainsborough in Nottingham to the Western By-pass contract in York. NORWEST HOUST is carrying out the third stage of this road under a contract value of more

than f4.3m.

Linking the A19 to the A59, the project involves construction of some two kilometres of single carriageway with pavements and two roundabouts. The bulk of Norwest Holst's work is on struc-tures, of which there are fourall reinforced concrete with pre-stressed deck beams. The most challenging is the difficult cross-ing of the River Ouse flood plain finished by late 1987.

#### Hammersmith office block

Stowmarket Properties (Hammersmith) has awarded JORN LAING CONSTRUCTION a £3m contract for construction of a five-storey office block at 137-143 Hammersmith Rd, The block will have a reinforced concrete frame have a reinforced concrete frame and be brick clad with curtain wall glazing to the penthouse level. The contract is due for completion in April 1987,

FONDEDILE FOUNDATIONS bas won three contracts total-ling over £1m. They are for piliog to five cooling towers at West Burton Power Station for the Central Electricity Generat-ing Board; Installation of new foundations to warehouses near

involves restricted working and limited possession of site. The last structure is a road bridge. Work is for the North Yorkshire County Council and will be and botel refurbishments for Frederic Robinson Brewery (£300,000); and car parking, fencing and drainage work worth

required cofferdams for the structure's piers, around which navigotion facilities have to be maintained at all times.

It is this proximity of the Ouse, that bas allowed the contractor to transport ballast, using barges. Excavated at Rampton, near Gainsborough, it is loaded on to barges at a local quarry. From there it is transported along the River Trent, into the River Humber and finally up the River Ouse. Two railway bridges are also included. One is over the east coast main line and involves restricted working and

SIMONS, Lincoln, is constructing seven two and three-storey shop units on the old Lincolnshop units on the old Lincoln-shire Echo site, for Rockfort Land and Associated News-papers. Worth about £900.000, the contract is due to finish in 35 weeks. The building will have an insitu frame with a brick and stone façade.

£316,000 for ICL at Kidsgrove Staffordshire.

CAP bas a major contract for the development of an advanced surveillance system for Royal Navy submarines. The order, awarded by Vickers Shipbuilding & Engineering, Barrow, has a value of £3.4m. A sub-contract will be awarded to Vosper Thornycroft controls division for the manufacture of equipment.

POCHIN'S, Middlewich, has been awarded a variety of contracts worth about £4m. They range from £1.7m cold store which the group are designing and building for Harris Warehousing and Distribution at Stone, Staffordshire, through to structural repairs on Penrhyn Castle in North Wales (£260,000). Other contracts include a retail store at Wallasey, Wirral (£300,000); public house SHEPHERD has secured

#### FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last investigations.

scattord Sodycote International British Syphon Check

Kwik-Fit London and Continental Advert London and Edinburgh Trust Marshall's Universal Metsec Newman Industries

Condon and Prov. Shop Centres New Court Trust

Johnston Group Kwik-Fit

COMPANY METTINGS

Sinebird Toys, Bertington House, Greihars

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Pederated Housing, Painters Hall. Trinity
Lane. EC, 12,00

West Hampshire Water. Kneep Hill, Mill
Rd. Christoberth, Dorset. 2,30 DIVIDEND & INTEREST PAYMENTS— Argive Trust 10 Avans 5p ameton Property
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Products 1.75p

**EQUITY GROUPS** 

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1993 £475.75
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Engish Trust 19
Fleming American Inv Trust 6.75p
Imry Property 1.5p
Uncort Kilgour 30
M.L. Holdings 1.3d
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COMPANY METTINGS—
City and Foreign Investment, 11 Devonshire Sauren EC, 12.00
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Festing Sensing 1.1p
Forcer Chadborn 0.7p
Questel 2.2p
Ransom (William) 1.82p
Sca Group 5.2p
Samile Gorson 1.1.1 0.8p
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FRIDAY APRIL 11

COMPANY MEETINGS—
Alexanders Hidge. 734 Fountslebridge.
Richburgh, 12.00 Meedow House. 64,
Alexander Tomber 13.00
Commercial Bank of Wales, Park Hotel.
Carolli, 5.00
Law Debeniure, Estates House. 66,
Grasham St. EC, 10.30
Fusies Photast (London)
photast (London)
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Uster Television
DVIDENO & INTEREST PAYMENTS—
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Crest Nicholson 8.65p
Electronic Machine 0.7p
Home Federal Savings and Loan 5 cts
Islington 12.65pc Red 2007 6.325pc
Liberty Life Ass of Airka 975
Montronia 16 cts
Montronia 17 cts
Montronia

SATURDAY APRIL 12
DIVIDEND & INTEREST PAYMENTS
Inland 12140C Ln 2006 (Reg) 6-25pc
Kulla Lumour Berbar 10 sea

Fair (021-780 4171) (until April 9) NEC, Birmingham April 8-10
National Pub. Club and Leisure
Show (01-222 9341)
Olympia inets: being (William) April 8-10 International Hellcopter Technology and Operations Confer-ence and Exhibition (01-549 5831) Aberdeen

April 14-18. International Fire and Security Exhibition and Conference— IFSEC (01-446 8211) Olympia may 12-16
Communications Equipment and
Systems Exhibition—COMMUNICATIONS (021-705 6707)
NEC, Birmingham April 15-17
National Welding Exhibition —
NORTHWELD (0403 68747)
Manchester Antiques Fair (01-883 7061)
Alexandra Palace April 17-19
American Real Estate and Investment Show and Seminar (0789 720118)

April 21-25
International Brewing, Bottling and Allied Trade Exhibition—
BREWEX (021-705 6707)

NEC, Birmingham

Alexandra Palace

May 29-24

Chelsea Flower Show (01-834 4333) Royal Hospital, SW1

May 23-June 1

National Home, Garden and Leisure Show — Liffestyle

(01-222 9841) NEC, Birmingham

May 29-June 7

Fine Art and Antiques Fair

(01-385 1200) Olympia April 17:19
American Real Estate and Investment Show and Seminar (0789 720118) OVERSEAS TRADE FAIRS May 2-15 International Printing and Paper Fair—DRUPA (01-493 3893) Dusseldorf April 14-19
Mini/Micro Computers, Software and Software Packages Exhibition—SPECIAL SICOB (01-438 9964) Business Efficiency, Office Automation and Business Communication Exhibition — BEE/OFEX (01-855 ?????) Heag Keng May 13-15 April 20-24 Third Saudi Oil Show (01-486 3741) Al-Khobar April 22-26
April 22-26
International Packaging Exhibition—PROPACK (021-705, 6707)
Brussels

Erussels

May 13-15
Production, Organisation and Technical Aspects of Shows & Meetings, Trade Fair and Congress — SHOWTECH (01-740 4444)

Berlin April 22-25 May 28-June 4
International Traffic Engineering Mechanical Handling Machine
Trade Fair (01-437 2175) Tool & Products Exhibition
Amsterdam (01-439 3964) Paris **BUSINESS AND MANAGEMENT CONFERENCES** 

the New Securities Markets ship in practice—developing and managing innovation in large managing innovation in large corporations (01-839 7000)

April 11

Nolan, Norton / BIM: Creating April 21-21

Wealth in the 90s (0538 204222) Airfinance Conferences: The Bowater House, SWI Annual Airfinance Conference (0376 62262)

April 14-15

manufacturing automation forum (01-621 1355) Hotel Inter-Continental, W1 April 15-16 IBC; Marketing in the travel industry (01-236 4080)

Portman Hotel, WI April 15

April 7-8

FT Conferences: Technology and the New Securities Markets ship in practice—developing and managing innovation.

(0376 62262) Plaza Hotel, New York City European Study Conferences: April 22-23
The London International Construction Conference (0572 Research: Cashing in on plastic card evolution (01-434 1017)
April 14-15
FT Conferences: The fourth FT Conferences: The prospects manufacturing automation forum (01-621 1355)

April 23

April 23

Institute of Directors: Coping with success (61-839 1233)

116 Pall Mali. SW1

April 23-24

Westminster & City: Regulating

April 15
Oracle Business Information:
Tax planning for the single contract self-employed (01-727 and unit trusts (91-583-7245)
3593) 22 Portman Close, WI April 16
Information, for Industry: The Middle East—the changing face of business (01-637-1019)
Cumberland Hotel, WI April 17-18
Institute for International Research: The financial, commercial and entrepreneurial opportunities for Prospering May 15-16
Intrough privatisation (01-434 FT Conferences: Retailing (01-

116 Pall Mall, SW1 621 1355)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

# The Laird Group PUBLIC LIMITED COMPANY

Kesuits 1703		
	Year to 31 December 1985 £'000	Year to 31 December 1984 £'000
Turnover	374,989	318,405
Profit before taxation	28,979	24,115
Taxation	(9,364)	(7,882)
Profit on ordinary activities after taxation	19,615	16,233
Extraordinary items	(378)	(768)
Profit for the financial year	19,237	15,465
Dividends	(4,742)	(4,318)
Retained profit for the financial year	14,495	11,147
Earnings per Ordinary Stock Unit	24.9p	20.7p
Net dividend per Ordinary Stock Unit	6.0p	5.5p
Dividend cover	4.2	3.8
Net assets per Ordinary Stock Unit	135.8p	137.9p
Blode-		

1. A final dividend of 3.6p net is recommended, making a total for the year of 6.0p net

The tax charge includes overseas tax of £5.5 million (1984 £4.0 million). 3. During the year, acquisitions were made at a total cost of £10.4 million. These acquisitions accounted for turnover during the period of ownership of £23.4 million and profits (before taxation, interest and Head Office costs) of £2.3 million.

	19	985	199	84
	Turnover	Profit	Turnover	Profit
	£7000	£'000	£'000	£'000
Sealing systems	100,384	13,776	71.417	9,608
Service industries	95,177	6,243	87.914	5,418
Specialist engineering	100,106	3,787	78,333	3,420
Transport systems	79,322	4,549	80,741	5,536
	374,989	28,355	318,405	23,98
Net intarest		624		133
Profit before taxation		28,979		24,115

# QUARTERLY VALUATION

F.T.-ACTUARIES SHARE INDICES

The market capitalisation of the groups and sub-sections of the FT-Actuaries indices as at March 27, 1986 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the two preceding quarters.

	& SUB-SECTIONS (Figures in parentheses denote number of stooks)	capitalization	of all whare Index	capitalisation as at Doc. 31, 1986 (£m.)	of all share index	capitalisation se et Sept. 30, 1985	of all share index
1 8	CAPITAL GOODS GROUP	45,899.0 8,547.5	17.73 3.16	38,282,5 5,506,5	16,56	38,679,8 5,308,9	16.01
5	Contracting, Construction (28)	7.869.2	1.40	5,020,0	1.51	2 673.9	1.27
4	Electricale (12)	1,586,B	0.07	1.253.0	0.54	1.164.1	0.55
6	Electronics (58)	11,983.7	4.34	10,321,9	4.47	9,804.9	4.38
6	Mechanical Engineering (04)	8,936,1	3.23	0,810,8	2.09	0.845.7	3.02
a	Motals and Metal Forming (7)	1,208,1	0.44	891.9	0.39	768.0	0.55
9	Matars (17)	4,016.0	1.45	2,784,1	1,21	2,145,8	1.02
10	Other Industrial Materials (29)	8,770.0	3.17	5,788.0	2,92	87,079.0	2,69
21	CONSUMER OROUP (185)	98,610.1	66,68	79,328.8	34,36	70,065,4	38,30
28	Brewers and Distillers 123)	15,112,0	0.47	12,513.1	5,42	11,264.7	6.36
26	Food Manufocturing (98) Food Retailing (124)	11,652.9	4.18	9,984.0	4.52	8,345.4	5.97
27	Health and Household Products (10)	9,936.3 16,988.0	6.54 0.89	8,599.9	6.70	7,061.8	3.64
					5.04	2,938.8	4.72
29	Loisure (24)	0,859.3	8.27		2,13	4,861,0	-9.07 .
32	Publishing & Printing (14)	5,477.4	1.86	1,649.0	0.78	1,717.7	0.83
55	Packaging and Paper (14)	2,232.0	0,81	2,441.1	1,06	2,270,4	1,06
34	Stores 1441	21,999.4	7.96	18,362,9	7.95	10.857.4	8.01
33	Textiles (17)	6,557.7	1,28	8,455,5	1.06	2,121.9	,1.01
41	OTHER GROUPS (90)	8,884.8	0.32	5,837.3	2.26	5,545,8	2.53
42		40,998.3	10.64	40,597.8	17.68	38,805.3	18,20
44		9,878.5	3,61	8,068.9	3,49	7,210.8	6,43
43		1,057.0	0,48	1,100.3	0,48	1,051.9	. 0.50
47	Telephone Networks (28)	18,163.8	8.94	2,777.1 16.941.4	1.80	2,015.9	1,19
48	Miscellanbous (48)	11.223.2	4.32	11.710.9 3	5.07	16,830.3 10,695.4	8,00
49	INDUSTRIAL GROUP (483)	193,591,2	70.05	158,148.4	68.60	142,070.5	67.51
51	Oil end Gas (17)	21,970.0	7.93	.21.086.0	9.13		
58	1500 SHARE INDEX		78.01		77.03		77.58
61	FINANCIAL GROUP (119)	: 48,907.4	13.06	38,291.0	10.72		15.55
52	Banks 171	18,954.3	4.80	8.764.5	4.25	8.996.7	3.94
63	(Incurance (Ofer 181	6,342.0	8.50	5,708.4	8.48	5.890.8	8.51
68	Insurance (Composite) (7)	7.731.8	2.80	5.271.4	2.72	5.A71.9.	2.60
67	Insurance Brokers (8)	8,373.4	0.93	8,488,2	1,06	2,234.5	1.06
68	Morchant Banks (11)	2,158,3	0.78	1,710,5	0.74	1,401.7	0.71
70	Other Financial (51)	7,728.1 3,456.5	8.60 .	5,991.2	3.02	6,593.9	3,28
71	Investment Touris		1,26	3,367.0	1.46	3,045.5	1,45
61	The state of the s	12,075.9 5.914.0	4.37	10,900.5	4,72		4.76
81	D	2.195.3	1.10	2,480.8	1.08	2,076,3	1.28
			0.80	1,969.1	0,86	1,887.0	0.90
23	ALL-SHARE INDEX (738)	1 876,315.5	100,0 /	230,270,3	100,0 (	210,466.0 j	.00.0

#### MANUFACTURERS HANOYER CORPORATION US\$100,000,000 Floating Rate Subordinated Notes due 1997 in accordance with the provisions of the Notes, notice is hereby given that the coupon amounts for the period 15th January, 1986 to 15th April, 1986 will be U5\$215.63 for the U5\$10.000 denomination end U5\$5,390.63 for the U5\$250,000 denomination. and will be pay-able on 15th April, 1986 against surrender of Coupon No. 3. Manufacturers Hanover Limited Agent Bank

CENTRAL BANK OF NIGERIA FLOATING RATE NOTES DUE 1986/90 TO BE ISSUED IN RESPECT OF OUTSTANDING TRADE DEBT

in accordance with the Terms and Conditions of the Notes, notice is transfer given that a respect of the interest Period from April 7, 1980, the Page of Interest has been determined at 675% per attrain.

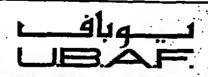
THE CHASE MANHATTAN BANK NA

andon, April 7, 1986

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for long-term cali 0895 440641 for details.

A FINANCIAL TIMES SURVEY CARDIFF Tuesday April 29 1986 The Financial Times proposes to publish a Survey on the above For further details,

CLIVE RADFORD

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# **Financial Times Conferences**

THE FOURTH MANUFACTURING **AUTOMATION FORUM** 

London-April 14, 1986

This conference designed for corporate directors will focus obsorbly on key issues that must be addressed when considering proposals for automation. The formum begins by going to the heart of the problem and dealing with what is the most controversial issue in the factory automation field today. Given the strategic importance of factory automation projects, should less stringent financial pay-back criteria be used for evaluating them than for other capital spending proposals? Contributors include: Mr Trevor Broughton, Rolls-Royce Ltd; Mr James Brimson, CAM-1; Mr John Collins OBE, TI Domestic Appliances Ltd and Mr Neil Bedford, JCB Transmissions.

#### THE PROSPECTS FOR TOURISM IN BRITAIN London-April 22 and 23, 1986

After a gap of over ten years, the Financial Times is pleased to announce a return to the thema of tourism for a forthcoming senior-level conference which will bring together a distinguished panel of speakers to assess the industry's needs to make it as attractive as possible to British and foreign entrepreneurs and the investment community. As well as an examination of the investment aspects, necessary changes in legislation, taxation and development planning will be discussed. Mr Duncan Bluck OBE, Chairman of the British Tourist Authority; Lord Montagu of Besulieu, Chairman of English Heritage; Mr Colin Marshall, Chief Executive of British Airways; Mr Tommaso Zanzotto, President, Travel, Related Services—Europe, Middle East and Africa, American Express Europe Ltd and Mr Walter Goldsmith, Group Planning and Marketing Director of Trusthouse Force will be among and Marketing Director of Trusthouse Forte will be the contributors at this forum on 22 and 23 April

This year's World Electronics conference will be held in London at the Hotel Inter Continental on 9 and 10 June 1986. Sir Michael Butler and Sir Donald Maitland GCMG, OBE will be co-chairing the two days. Mr Alsin Gomez, Mr Gerrit Jeelof CBE, M Alsin Boublil and Dr Robb Wilmot are among the contributors. 

All enquiries should be addressed to:

The Financial Times Conference Organisation Minster House, Arthur Street London ECAR SAX

Tel: 01-621 1355 (24-hour answering service) Telex: 27347.FTCONF G Cables: FINCONF LONDON

OVER-THE-CO	OUNTER Nasdaq nation	nal market, Closing prices April 4	
tock Sales High Low Last Chap (Hinds)	Smock Sales High Low Last Cong 5	Stock Sales High Low Last Ching    Hinds	Stock Sales High Low Last Ching (Hinds)
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New that the Financial Times is printed in the U.S. you can get the next day's edition wall before midnight in New York's	
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	AUSTRIA	FRANCE	JAPAN		AUSTRALIA	ı	
	1986 Apr. 4 Price	. 1			1286	April 4 Price	CANADA
	2 44B 2.047 Creditiston and	1986 Apr. 4 Price High Low Frs.	1985 High Low	April 4 Price Yen	High Low	AUST. 5	Sales Stock Stock Loan
	3.200 I	1,630 1,473 Emprunt 4/2 1915 1,625 7,775 7,190 Emprunt 72, 1973 7,638	'910 "944	Alinemeto 1,520 Ali Nippon Air 828	16.6 11.5 5.9 4.4 3,22 0.26	Adelaide 51eems 13.0 ANZ Group 5.2 Ampol Pet, 2.40	TORONTO
	0,275 1,950 Laen6erbenk . 2,110	450.0 298 Apper	906 720	Asian Chem 558 Asian Chem 558 Asian Chem 1,000	1.48 1.15 3,52 2,55	Astrion 1,45 Aust. Cons. Inda, 3.58	Closing prices Apri
	178 150 \$teypr Daimler 155 16,060 8,950 Vertschor Mag 2,600	682 508 810 672 1,980 1,610 Boograin 1,980	665- 691 688- 613	Bank Tokyo 797	5,5 2,1 5,95 2,44 1,65 2,88	Aust Guarantes. 3.15 Aust Hat Inds. 5.95 APM. 5.85	11551 AMCA Int 313's 13 3020 Abertord 490 46 11638 Abeto Pr \$24 23
	BELGIUM/LUXEMBOURG	4.140 0.730 BSN Genrus	1900 050	Cenon 1 142	7.54 5.2 8.46 4.35	Bell Group 7,36 Bell Res. 4,2 Bond Corp Hidge 3,5	11635 Abelta Pr \$24 23 400 Acalenda \$20's 20 28900 Agrico E \$24's 24
•	1986 Agr. 4 Price	3,560 0,260 Carrotour		Casio Como 1,540 Chugai Pharm. 1,250 Daidi 1,390	3,3 1.78 4,5 5.25 2,3 1.0	Bond Corp Hidge 3.3 Boral 4.5 Bougamville 2.5	34398 Albria En \$12% 11 5300 Albria N \$12 12
	2,850 2,290 8.8.1 2,250	1,299 B72 Cip Bancairo 1,232 419 347,5 Conmeg	1,700 1,480 415 300 1,800 1,270	Cangas Frair	3,5 4,5 2.20 1.22	Bridge Oil 1,22	68777 Alcan \$45% 44 1700 Algo Cent \$20°2 27 2258 Algoma St \$18% 18
•	TOTAL STORY BANG, GEN, LICK , 13 600 I	2,525 1,721 Damart	1 110 84 1 040 75	6alwa House 1,110 Dalwa Sec 1,240	0.1 6,30 8,4 5,8 7,4 6,48	8, H. Prop. 6.56 Burns Philip 6.4 CRA' 6.76	15100 Asamera 59's 9' 189512 Alco I 1 58's 60
	14,500 2,400 Band. Int. A. Lux 14,000 14,500 8,050 8ekaert 13,600 195 159 Cocherili 164 11,500 8,310 Celhaize 11,500 4,810 3,580 FFG	1,445 877 Eaux (Gle Gen. 1,415 243 196 Ell Aquitaine 239 2,700 2,000 Essilor 2,700	7,390 3,500	Fanue 7,350	3.78 2,92 3.8 5,4	GSP 5,22 Chase Corp 6,6	1950 BC Sugar A \$22°4 25 2200 BGR A \$7°4 75 768 BP Canada \$29°4 25
	4,210 3,580 EBE9	2,780 2,000 Essilor 2,700 875 714 Gen.Occidentalo 975 110,5 76,8 tmotal 113,5	2,080 1,650	0 Fujt Film 3,060	1.24 0.90 5,3 4,1 2.50 1.80	Glaremont Pet 1.0 Geles-Meyer 5.3 Comalco 'A' 2.45	1900 Sanister C 55% 5 29466 Bit BCCI 210 30
	2,500 1,970 Fabrique Nat 9,500 7,350 3,580 GB lone 8M	1,440 745 LaFarge-Coppee 1,440 3,620 2,805 L'Oreal	1,120 95	5 Fujitsuwe 1,120 5 Fujitsu: 1,060 6 Fprukawa Elect. 407	0,25 0.16 2,3 2,5	Consolidated Pst 0.15 Costain Aust 2.3	223396 Ba Morril \$3314 32 184905 Bx MScox \$1374 13 152629 Beel Can \$33% 27
	6,900 4,510 Generale Bank 6,800 5,850 4,750 Gevaert 6,950	3,000 2,640 Legrand	2,320 1,980 1,120 794	Green Gross 2,210 Helwa Resi Est 950 Hitachi 839	3,72 2,0 1.82 1.51	Eldara IKL 3.72 -	21167 Bluesky 200 25 11634 Bonanza R 265 25
	3,950 2,880 Intercom 3,950	6.510	1,310 1,150	Hitachi Credit 1,400 Honda 1,190	2.52 2.16 3.65 3.12	Energy Res. 1.33 Gen. Prog. Trust 2.52 Hardie James 3.55 Hartogen Energy 1.72	18584 Bow Vely 3174 1 4490 Bramares \$175 15 14322 Brassen A \$24 25
	10,550 9,900 Pan Hidgs 76 550	2.635 1,875 Moet Hennessy 2,635 108.9 64,7 Moulinex	206 15	0 indi, Sk. Japan., 1,560 0 ishikawanma Hr. 193 3 isuzu Motors 368	6.6 4,85 2.8 2,12	IC1 Aust . 2.6	765702 Brawmer \$54 5- 37700 Brenca M \$69 5 29160 BC ForP \$144 14
	7,300 6,050 Petroline 7,300 24,500 17,900 Royale Seige 24,500 6,270 2,120 Soc. Gen. Seige. 3,180 11,500 7,710 Sofine 11,500	1,145 807 Pernod Ricard . 1,145 719 481 Persier	3,700 2,95	5 ttoh G:	6.24 0.18 0.2 0.16 6.3 4.9	Jimberiana F.P. 0.22 Kia Ora Gold 0.13 Kidston Gold . 5.9	18930 BC Res 145 I- 25491 BC Phone \$271 2
	8,240 5,050 Solvey	1,139 512 Peugeot S.A 1,152	1,470 90	2 70300 1,210	9.2 5,74 5,12 2.5 3,85 3.3	Land Lease 9.2 MIM 2.5 Mayne Hickless. 3.5 Hat Aust Bank 3.48	1100 Brusswa \$13% 11 13451 CAE \$30% 2 11960 CCL 8 1 \$154 11
	7,400 5,500 UC8	669 417 Printempe Au. 546 900 421 Radiotech 885 2,600 1,845 Redoute	1,390 98 173 13 1,220 73	5 Kapm 6 Kao Soap'1,226 4 Kawaski Steel'161 7 Kirle	6,48 4,6		36950 CA, \$35 3 3600 Cad Frv \$1774 1 1300 Campridg \$227 2
	DENMARK	900 421 Radiotech	197 17 516 46 730 35	2 Kometku 481 8 Konshiroku 695	13.5 9.62 5.58 2.4 0.96 6.65	Hews 16.5 Hicholas Kiwi 3.56 Heranda P. P pd : 0.93	15217 Camp RLk \$2412 2 16067 Camp Res 190 1
	1996 April 4 Price	6,760 2,640 Talemed Elect 5,760 1,235 822 Thomson (CSF) 1,935 316 348 Valeo	924 75 4,960 4,02	0 Kumaga) 810 0 Kyocere 4,550	9,91 2.26 1.29 6,88 3,5 2,5	Hortn Skn Hill 2.2 6 aktoridge 6.9 Pacilie Gunlop 3.5	1500 Cemp Soup \$28% 2 6912 Campeau I \$26% 2 99500 CCem ex p \$15% 1
	494 357 Andelshanken 322	NORWAY	562 51	1 Marubeni	2.1 1.73 2.71 2.7 5.25 9.2	Pancontinental 2.1 Pioneer Cone - 9.7	4875 CDC 1 \$10 9 200 Can Mail \$190c 1 5216 C Nor West \$1614 1
	560 515 Ballice Skand 520 548 294 Coeffendelsbank 399 470 395 6. Sukkerlab 416	1986 Apr. 4 Price High Low Kroner	415 37 670 53	9 Mazda Motors 415 5 Marja Seika 655 0 MEI 1,490	1.58 1.34 4.6 5.9	Queecsland Cost 1.42 Recket aColman 4.5	4650 C Packrs \$33': 3 337 Can 1rust \$54's 5
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	1,385 1,196 Hove In6s	156.2 116 Norcem	1,780 98 274 20 995 59	5 Mrtsul Co 476 9 Mitsul Estate 1,476 9 Mitsui Toatsu 249 0 Mitsukoshi 550	3.65 3,34 5.99 5.35	Woolworths 5,37	3450 Cantor \$12'4 375 Cara \$27'4
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	351 265 Superfos 312	NETHERLANDS	1,090 67 1,420 1,20	6 Nikke Sec 975 O Hippon Denso. 1.416	1986	April 4 Price	3500 Carplin 195 2325 Celanese \$165 11850 CentFa A \$65 6
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	256 203 Cont. Gummi 936 1 445 1,147 6almior Zenz., 1,350 498 423 6egussa. 484.5	88.3 77.9 Fokker	1,120 9: 3,700 2,36	10 Orient Pinance 1,116 50 Grient Leasing 3,350 50 Pioneer 2,150	18.5 5 9.7 6.1	Highwald Steel 6.6	PacoPh 69 21 g FancMs 13 178 11 e ParkOh 60 262 10
	238 200 6'sche Babcock. 223 920 723.7 6eutsche Bank 865	102.5 78.9 Hoogovecs 102.6 75 68.3 Hunter Coug.N.V 65.6	1,130 9 1,870 1,6	50 Pioneer 2,150 55 Ricoh	2.5 6.4 14.5 12.5 52.75 45	75 OK Bazzars 13.75	PatntM 147 518 Peuller 1 561 1712
	482 353.3 Greadner Bank 454xi 280 905 CHH 263 451 680 Henkel 426.5	53.9 52 KLM,	908 3	SA SADDORO 639	38 . 26 17.4 18 11.4 9.	Rust Pial 34,1	PeakHC 1088 1514 PegGid 06 193 678
	451 680 Henkel	65.5 71.6 Hat Hed Cort 79.2 255.5 201 Ned Mid Bank 206.5	9,716 6,00 952 9	00 Sekisui Prelab 1,050 50 Seven Eleven 7,550 11 Share 819 50 Shimizu Constn 505	10.7 9.3 30,5 24 9.4 7.4	8 A. Braws 9.00	Peoper .10r 1081 84
	621 476 Heizmann IPL 621	218.9 174.5 Nedlloyd		50 Shimizu Çonetn. 505 50 Shionogla 1,000	6,65 5,		Petrue L12 83 274 Phrmct 857 718 PSFS 280 2565 1178
	597 426 Hussel	92.5 65.2 Daknoed 64.7	1,950 1,3	10 Shiseldo	HONG KO	NG	PhilGi .53e 1321 24's PhinsAm 61 4's
	393 287 KH6 316	142.1 135 Rodemco 84.5	343 2	35 5'tome Ghem. 1 506	1986	April 4 Price	Piccase 52 55 2412 Pionis 104 532 4074
	693 579 Linde	31.0 46.3 Rorento 50.7 193.3 164.5 Royal Dutch 192.3 429 347.7 Unilever 429	1,186 84	40 S'tome Corp. ; 750 40 S'tome Elect 1,650 37 S'tomo Metal 143	25.7 19.	Bank East Asia 18,4	Pionist .12 7 10 PoFolis 23 11
	311.8 236 Mannesmaph 276 1.304 993 Mercedes Hid 1,301	313.5 870 VMF Stork 305.5	485, 36 760, 46	08 Taisel Core	16.7 15 6.76 0.	Chine Light 13.6	Porex 1410 3119 Powell 26 134
	4,050 3,150 Muench Rueck 4,050 650 548 Nixtorf	108.5 45.7 West Utr Bank 60		77 Takada	48.5 AR 9.17 1.	Hang Seng Bank 43.6 66 Henderson Land 1.73 B HK Chinz Gas 18.7	PwConv 12 12% PreCets 237 294
	1,430 1,161 Porsche 1,435 297 251 Preissag 250 201,3 195 Rhein West Elect 841	SWEDEN			8,95 S. 7,8 6.	5 HK Electric 8.55 2 HK Kowloon Wh. 6.2 5 HK Land 6.8	Princit 394 1614
	395 330 Rosenthal	1986 TOWN TOWN IS THE PROPERTY OF THE PROPERTY	X 940 2.69	55 Tokaj Bi;	11.3 9	5 HK Shanghal 8k 7.7 5 HK Tolophono 9.9: Hutchison Wpa 25.6	Prisons 146 148 ProdOo 18 85 414
	198 168 Thyesce 1911	207 175 ĀGA 191 294 245 Alla Laval 8 294	967. 6	77 Tokyo Gas 833 88 Tokyo Corp 833 74 Toppan Print 1,380	14.6 11	97 Intol City 6.9	ProptTr 1.20 121 1234
	396 973 Veba	440 307 ASEA (Free 1440) 575	639 4 434 5	85 Toray	1 99 1	8 Hew World Dev 5.7: 82 Orient O seas 1.9: 8 BHK Props 11.1	9 Quadret 252 1815
	605 425 Volkswager 699.	290 265 Cardo IFrool 280 229 169 Cellulosa	2,116 1,4 1,560 1,1 272 2	30 Toyota Motor 1,450 00 USE Inds 250 90 Victor 2,990	1.13 0. 34.75 29. 6.35 6	8 BHK Props	QuestM 101 8
	SWITZERLAND	286 194 Electrolux 8 985 293 916 Ericsson B 293 560 450 Esselte 316	1 050 6	80 Yamaichi 5e6 956	2,77 2	07 World Int Hidgo 2.2	9 Quixole 138 26 Quotra 13544 1816 R
	High Low Fra	265 178 Mo Och Domsjo. 265 238 167 Pharmacia 238	3,480 2,9 1,360 7	20 Yamanochi 3,516 77 Yamazaki 1,270 96 Yasuda Fire 020	ITALY		RAX .01e 80 774 RPM .62 338 2134
	5, 110 4,468 Adja Inti	0   460 . 330 Skandis 460		····	1226 High Lo	W Apri 4 Liro	RadiSys 189 15 Reduit 214 73 Reduon 2 95 Ragen 120 5
	1,870 1,620 Brown Boveri 1,52: 4,550 5,775 Ciba-Beigy 4,06:	5 100 78.5 Skan Enskilds 87.5 0 389 086 8KF 527	SINGAPO	KIE	705 4	80 Banca Com'lo 27,01 61 Bastogi IRBS 71	1 Rainer 108 328 4134
	5,940 8,775 do. iPart Certsi 5,05 5,916 3,100 Credit Suissa 3,82 2,720 3,576 Electrowatt 3,700	0 260 157 St. Kooparbergs. 260 0 312 233.5yae Handelsbe. 508	1986 High Lo	w April 4 Pries	4,780 3,6	64 Centrale	TO I HOUSE
	1,440 1,125 Fischer (Geel 1,44	0 512 220 Swedish Maton = 219 0 375 300 Volvo 8 (Frequent 365	1.19 6.7 2.76 2.1	7 Cold Storage 2.56	12,990 6,5	31 Fig1	0 Recoin 66 1234 00 Recoin 200 109 2317
	7,950 7,100 Jacoba Suchard. 7,32 3,850 3,150 Jelmoli 3,32	SPAIN	5.8 4.4 4.54 5.6	6 085 4.60 60 Genling 3.60	1,430 4,430 2,7	100 Italcement: 66,00 126 La Rinascente 1,33 105 Montedison 4,99	8 RecyEl .20 753 712
	2,555 1,950 Landis & Gyr 2,00 9,500 8,225 Hostie 8,87	6 1986 April 4 Price	9, 1.64 1.2	O Inchcape Bhd. 1.95	17,270 8,7 9,350 6,0	10 Olivetti	70 Reliab 5 5% 5 RoAuto .18 212 9%
	1,745 1,426 Oer-Buchrie 1,74 496 578 Pirolii 49 12,000 10,200 Sandoz 81 11,82	960 415 8co 8libas 847	4.66 3.6	3. Keppel Shi 6yard 0.71 3. Maley Banking 3.78 8. Maley Utd. Int 1.19	6,885 4,7 7,500 4,5	80 Saigem 5,61 44 6nia 8PD 7,20	6 Reuterl .15e 37 13% ReutrH .33e 1712 41%
	1,900 1,630 Sandez (Pt Cts) 5,83 900 770 Schindler (PtGts) 80	0 403 207 Bco Exterior 405 600 207 Bco Hispano 603	7.55 6.0	3 Mulli Purpose 0.39 5 OCBC 6.10	46,010 84.8	50 Tero Ass.c 43,80	ReyRey 1.40 155 637 Rhodes .32 263 24
	7,100 6,900 Surveillance A 6,80 8,296 1,790 Swissair 2,02	0 1.025 452 Beo Popular 980 6 770 420 Beo Santander 742	1.78 0.6	2 3mp Oerby 1.95	quoted ed	Prices on this page are the ledividual exchang	RichEla 116 299
	685.5 634 Swiss Sank 61	316 165 Oragados 308	2 6.5 5.6	5 Singapore Air 6.26 5 Singapore Press. 5.80	avapendod.	n Deded Orices. \$6esile .xd Ex dividend, xc Ex ec x rights, xs Ex Oll, * Pri	RoadSv 1.10 1278 421
	2,750. 2,340 Swiss Volkebk 2,47/ 5,450 4,850 Union Bank 3,50/ 6,600 4,320 Winlerthur 6,60/ 6,800 6,756 Zurich Ins 3,80/	160 . 101.6 Iberduero 152. 0 356 172 Petroleos 344 0 199 196.5 Teleleniga 178	9,22 1.6	3 Tal Lee Bk 2.00	le Schilling	p	_
	6,800 6,706 ZUNGR INS 3,600	1					7
	NEW YORK IND	ICES	_1			10 26	1

NEW Y	ORK		INDI	CES					
	A6r.	Apr.	Aer.	Apr.	Mar.		86 Low	Since	Cmp
ONES	4			1	31	High 1821.72		1821.72	41.52
ONES Industri'i	1739.22	1766,46	795.96	1790.11	1616.01	127 \$1		27:5:85	15.7:621
i'me Bnde		91.09	91.12	90,21	90.72	44.	51.12 15.41	~	-
Transport.	779.39							\$1:8-8	12,32 3 15 7/55:
UtiliUes	186.55	189,68	181.27	121.32				155.73 51/4/2	21.4/3
Day's Hig			271	Low 17	28,45 : 1	765, 71	<u> </u>		
STAH6ARD Composite	AH6 POC 2 928.69	232.41		935,14					6 1,6,32
Indust'is -	969,63	256.58		252.37		_			\$016/52
Financials	29.63	22,89				_	122	14:5:4	6 2: 10:14
H.Y.S.E.				135,96		- 7	21.1: 240,30	\$16:0	0 2514.4
AMEX.MK		266.61		267.43 3 374.10		121.5 2 <b>374.</b> 72	325,0	376.7	S. 54,8
NASDAQ OTC COMI		374.51	3 161.			.,,	12.11	ye	ar a26
DIVIDENG	YIELDS	Mor. 2		nr. 14	Mar,7	_ <u>-</u>	eb. 28 3.72	<u> </u>	90FOX) . 4,22
Dow Indus	trial	5.65 Mar. <sup>2</sup>	6 M	3.60 ar. 12	3.77 Feb. 1 3.50		eb. 12 3,35		3,89
S and P In 2 and P In-	dustrial d P/E ratk	3.03	<u>.</u> .	3.08 6.71	15,36		15.12	pr_6	1.14 Apr. 2
TRADING A	CTIVITY	Aillions		Issu	yerk_ es Tradi	d 2,	045 438	610 8,069	2,026 736
	Apr.	Apr.	Apr.	Falt	hanged	1,	245 357	1,168 381	893 397
Volume 1 New York	147.2			Nev	A HIOUR -			135 10	100 13
Amox	11 28	0 13,60 5 112.0			A FOME .				
0.1,0,1		- 110.0							
CAN	ADA		Apr.	Apr.	Mar.			1986	
TORONTO	Apr.	Agr.	. 2	1	31 2337.2		Hატ†1 ,86, ₁51 ე	s'i 206	Low 7,1 12:11
Metais & Minerals Composit		2311.0 3036.9	2294.4 5029.0	0289.8 3028.7	3047.2	3055	5 f21/5	275	4.0 (17.1
MONTREA Portiolio	.1561.7		1371 31	5 1570.84	4 1580.7 VE STO	CK5	1-0 Km		
- 5, 1151.0	_	MEA	Y YOR!	~ ~~	15 414	J-7			Chang
		tocke Cl	oping o	n			Stocks	t pili	ng on
Friday	-		ance da	v			700 10	1483	13

	4	5	2	<u> </u>	High	
USTRALIA All Ord. (1:1:66) Moteje & Minia, 11:1:60	1158.9 658.7	1144,2 665,5	1158,5 660,4	1181.5 567.4	160,5 (55/5) 602,0 (74/5)	1510.5 :2:1 <sub>1</sub> 491.5 :2:1 <sub>1</sub>
AUSTRIA Gradil Sk Aktien (\$1):62	114.66	114,47	114,74	114,35	126,82 (IS-1)	115, 15 :5:51
SELGIAH Brussels SE (1)1:80)	3644,£1	3809.46	8587,17	3549,89	3644,21 14.41	2786,91 (15:1)
GENMARK Copenhagen SE :\$1:88:	/GT	יטו	244,40	248.50	244,40 (\$ 4)	214,57 :11:15
FRANCE CAC General :51:12:92: Ind Tondance :51 12:56:	572, 10 145.4	141,7	159.5	1414	572.15 (4·4) 145,4 (4·4)	261.8 (5/1) 101,6 (2/1)
GERMANY FAZ Aktien (\$1:15/58) Commerzbank (1.15:53)	704,63 2685.5	699,54 2154,5	695.57 5167,1	695,44 2105,9	115,76 (15:1) \$181,5:15:11	910,84 :27/2: 1965,5 :27.2:
HONG KONC Hang Seng Back 517 64:	1643.BO	1625,28	1695.27	101	1526,84 /5-11	1558,84 +15 81
ITALY Banca Committal, 1512;	756,51	728_1\$	732,82	752,65	752,92 : 1;4:	454,67 124.11
JAPAH** Hikker: IS:5:49; Tokye 2E Hew :4-1.68;	15019.8i 1202.83	15112.2 1219.08	15555.5 1248,95	15745,9 1260,15	15859_1 :51:\$ 1265_93 :61 å:	1 12861,5 (21:1)
HETHERLAHDE AHP_CBS Goneral / 1872; ANP_CBS Indust 1976;	.:69.2 255, I	266,3 255.5	281.5 255,4	267,2 255.5	269.5 14:41 255.5 18.4r	240.4 :5·5: 254.5 :3:8:
HORWAY Oslo SE 14·1/55)	353,94	361,96	352,17	\$53.01	402,91 :16.1:	341,88 :11 8:
SIHGAPORE Straits Times /50:12.66)	383,31	598.28	597,41	554,27	644,83 (0:1)	568,66 : 19.5
SOUTH AFRICA JOE Gold (28:5:75) JOE Indust (28:6 78)	Ξ	1228,5 1140,6	1216.9 1143.0	1100.7 1148,4	1307,9 ,27·l, 1205,1 120;5:	
2PAIH Madrid SE :30:12:851	158,90	161.84	169.24	162,56	162,56 : 1 41	100,83 :3:1)
SWEOEH Jacobson & P (51, IS 15)	2179,60	2138.54	2098,67	2102_20	2179.6:4:4:	1729,57 -28-1-
SWITZERLAND SwissBankCont51/10-58	681.5	599.0	555, 1	595.4	925,5 (B) I)	554,7 (28.2)
WORLD M.S. Capital Intl. 11, 1:70	ı –	592,2	<b>506</b> , 3	307,9	\$08,\$ :51:\$:	, 249,2:28:11
			-			

Base value of all Indices are 100 pages 30E Gold—255.7. JSE Indices are 100 pages 30E Gold—255.7. JSE Indices 30E All Ordrery and Metals—500. NYSE All Gentm Ztanderd and Poors—10: and Toronto Composite and Metals—1.000. Indices based 1215 and Metals—1200. Indices based 1215 and Metals—1200.

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

ViCharle	Fig.	Fig.	Vicharle	Vichar	NEOPE 61.92	7.5 8	431	254
NEOPE 61.92	7.5 8	431	254					
NEOPE 61.92	7.5 8	431	254					
NEOPE 61.92	7.5 9	8.0 10	377	776				
NYSEC2.55	8.1 9	227	228					
NYS 97	8.8 0 10	372	320	374				
NYS 97	8.8 0 10	320	374					
NYS 97	8.8 0 10	320	374					
NYS 97	8.8 0 10	320	374					
NYS 97	8.8 0 10	320	374					
NYS 97	8.8 0 10	320	374					
NYS 97	8.8 0 10	320	374					
Newmit 1	2.2	481	461					
Newmit 2	481	461						
Newmit 3	481	461						
Newmit 1	22	481	461					
Newmit 1	22	481	461					
Newmit 2	481	461						
Newmit 3	481	461						
Newmit 3	481	461						
Newmit 4	2.2	481	461					
Newmit 5	481	461						
Newmit 6	5.5 6	388	320					
Nammora 1	2.2	381						
Nammora 2	481	461						
Nammora 3	481	482						
Nammora 3	481	481						
Nammora 2	481	461						
Nammora 3	481	482						
Nammora 3	481	482						
Nammora 2	481	481						
Nammora 3	481	482						
Nammora 2	481	482						
Nammora 3	482	482						
Nammora 3	482	482						
Nammora 3	482	482						
Nammora 4	483							
Norster 1	2	5	17	188				
Norster 1	2	5	17	188				
Norster 1	2	5	17	188				
Norster 1	2	5	17	188				
Norster 1	2	5	17	188				
Norster 1	2	5	17	188				
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Norster 1	2	5	17	188				
Norster 1	2	10	10					
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Norster 1	2	10	10					
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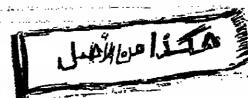
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# COMPOSITE CLOSING PRICES | 12 | March | 150 | March | 1

Sect On Septis 2 Sector 1 Sect

113<sub>4</sub> 531<sub>8</sub> 123<sub>4</sub> 123<sub>4</sub> 193<sub>8</sub> 111<sub>2</sub> 113 33 121, 121; 121; 19

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	AMEX CO	MPOSITE (	CLOSING P	RICES Closing pri
· 如果	Pr Sect Div E 100s High Law Class Degree Acrosc 9 1/s	Carciner 92 1 177 277 277 1 1 1 1 1 1 1 1 1 1 1 1	Sinck Day   E   100s High   Law Class Charge   100s   10   315   2   116   2   116   2   116   2   116   3   10   315   2   116   2   116   3   10   315   2   116   2   116   3   10   315   2   116   3   2   116   3   3   3   3   3   3   3   3   3	Stack Dis E 100s High Law Gless (Ramsbg 72 28 60 211, 211, 211, 314 42 60, 1514 201, 48msbg 72 28 60 211, 211, 211, 314 314 314 314 314 314 314 314 314 314
	OVER-THE-CO	Streck Sales High Low Last Dong	ional market, Closing prices, Apri	
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#### **CURRENCIES MONEY and CAPITAL MARKETS**

LIFFE LONG GILT FUTURES OPTIONS

1.20 — 24.70 — 0.00 0.00 — 0.125 10.70 — 10.70 10.70 0.00 — 0.130 14.70 14.70 14.70 14.70 0.00 0.to 0.135 0.70 9.70 0.70 10.32 0.01 0.46 0.150 4.81 5.60 5.87 7.20 0.20 1.52 2.152 2.152 1.45 1.34 2.76 3.30 4.77 1.73 3.63 4.150 0.15 1.12 1.81 2.99 5.54 7.04 7. Estimated volume total, Calle 401, Puts 50 Previous day's open int, Calle 50.159; Puts 6.822

Papt 101-34 — 101-Est. Volumo 256 (564). Previous day'o open int. 962 (897

ume 2.077 (3.313). day's open int.

THREE-MONTH EURODOLLAR \$1m points of 100%

THREE-MONTH STERLIND (500,000 points of 100%

20-YEAR 12% NOTIONAL GILT 550.000 32nd of 100%

LONDON

LIFFE E/S OPTIONS E25,000 (cents per Et)

#### FOREIGN EXCHANGES Facelift for the EMS

BY JONAS CROSLAND

The weekend realignment of £ IN NEW YORK curreccy values within the European Monetary System has been long overduc. Last month's elections in France postponed the inevitable with other EMS members reluciant to push through changes beforehand. But the writing has been on the wall as loog ago as last September when the group of five finance ministers announced its intention to reduce the dollar's value.

and weaker EMS currencies EMS and to revalue the D-mark come under pressure because and Dutch guilder by 3 per cent, funds are switched out of dollars and the Belgiao franc and and into D-marks to a greater Danish krone by 1 per cent. The and into D-marks to a greater extent than into any other EMS

When the Bank of France ran up the white flag on Thursday in New York trading, the unsetable adopted an air of predictability to coincide with a meeting of EEC finance ministers. To save any technicol were 2130 obliged to suspend intention to adopt a hands off muscles in order to avoid the Jspan and West Germany.

122.2 68.5 44.8 105.7

April 2. •Morgan Guaranty rates ara lor April 3,

CURRENCY MOVEMENTS OTHER CURRENCIES

POUND SPOT-FORWARD AGAINST POUND

elgion rate is for convertible tranes. Financial franc 72.05-72.25.

Six-month forward dollar 2,28-2,23c pm, 12-month 3,80-3,65c pm,

FORWARD RATES AGAINST STERLING

**EMS EUROPEAN CURRENCY UNIT RATES** 

April 4 Prov. close 5 1,4520 4535 OI 45901 4600 0.50 0.40pm 0.50 0.48pm 1.32 t.36pm 1.40 1.58pm 5.78-3.02pm 3.85-3.75pm Forward premiums and discounts apply

approach thus allowing the morket to find its own level.

On Siinday ministers meeting The domino effect has so far in Oolmarsum, Netherlands, worked every time. The dollar decided to devatue the French weakens, the D-mark improves franc by 3 per cent within the lira and Irish punt were left uochsnged.

> After a period of relatively plain sailing, the dollar became rather fog bound last week, principally as a result of statements made by the Bank of Japan. The Japanese authorities were keen to stress that any sharp yen appreciation would

market overreacting by pushlog the yen even strooger.

While the Bank of Japan wanted currency rates to stabllise, the market's Initial reaction lise, the market's Initial reaction was to try aod push the dollar back up again, having discovered a clearly defined floor level. However, uncertainty over the attitude of other central banks robbed the dottar of sufficient conviction to push through important chart points and it fett back to trade in a narrow hand

Sterling senument was domin-

ated once sgain by oil prices. However there was a teodency towards improving on the good news and ignoring the bad news. The latter unfortunately was strictly rationed last week so that the pound showed little overall change from before the long Easter break. The market seemed quietly confident about sterling's prospects, having possibly already ridden out the worst immediate effects of June sharply lower oil prices. High Dec UK interest rates continue to March sharp yen appreciation to the take time to work through the system 2s is intended, in order to help reduce the US trade to help reduce the US trade greater optimism for a small greater optimism for a small reduction in clearing bank base price of near futures contract] -4 to 4 (32nds). embarrassment, central banks take time to work through the lend support and even if this currencies' permitted to help reduce the US trade greater optimism for a small trading band, thus relieving deficit. Currency markets are reduction in clearing bank base themselves of the obligation to considerably less patient, how- rates, there will still be a comintervene. In fact each central ever, so much so that the Bank fortable interest rate differential bank in addition announced its of Japan fell obliged to flex its between UK rates and those to


•	April. 4	Bank rate	Special Brawing Rights*	Europea Gurrene Unil
000000000000000000000000000000000000000	Sterling US 5 Canadian 6, Austrie Sch Belgan Fr Oonish Kr O'mark Guilder. Freneh Fr Lira Yon Norway Kr. Span'h Pta. Swediah Pta. Swediah Fr Grock Drch triah Puni	051 7 312 413 819	18.8434 05,0446 0,02158 2,68699 5,03155	N.A
	*SOR (210)	a ore	lor Anni	•

CURRENCY	RATES	

April. 4	rate	prawing Rights*	Gurrene y Unil
Sterling		0.771081	N.A
us s	' 7	1.12970	
Canadian 8.	10,14	1.57307	Ü
Austrie Sch	4	18.8434	•1
Belgian Fr	031	05.0446	D.
Oonish Kr	7	0.02168	
0'mark			,,
Gulider	412		**
French Fr	91 <sub>2</sub> ,		**
Lira	14	1850,11	
Yon		203.255	••
Norway Kr.		8.57844	•1
Span'h Pta.		168.513	**
Swedish Kr	812	9,36855	,,
Swise Fr.	4.	2.53794	11
Grock Drch	50 I a	N/A	11
triah Puni		_N:A_	

# Close 93.03 93.04 92.99 92.90 92.85 92.50 92.36 folume as day 5,428. (3,261)

AII A	Osy's	Glose	One month	%	Three	%
April 4	spreae			p.a.		p.e
UKt	1.4400-1.4580	1,4475-1,4485	0,51-0.48c pm	4.10	1,41-1.36pm	3.9
Irelandt	-	1,2000-1,2500	1.30-1.05c pm		2.96-2.30pm	
Canada	1,3875-1,3910	1.3885-1,3895	0.40-0.44c Ois		1.00-1,05dis	-2.9
Nethind.	2.6700-2,7010	2.6970-2,6980	0.43-0.40c pm	1.86	1.21-1.18pm	1.7
Belgium	48.75-49.40	49.30-49.40	5-20c dis	-2.06	10-40dia	-2.0
Denmark	9.77-8.85	B.841-8.85	ore die	-0.51	1-1'-die	-0.3
W. Ger.	2.3670-2.3990	2.3885-2.3895	0.58-0.53pt pm	2.80	1.68-1.63pm	
ortugel	158-159	158-159	150-300c dl≤	-17.03	400-1000dis	-17,6
Spain	152-1534	153-1535	50-80c Oie		750-200dis	-4.5
aly	1650-1670	1660-1670	13-14 lire dis	-9.76	32-34dla	-7,9
VEWTO	7.34-7.4014	7.393-7.4034	5'y-4'yore Ois	-6,31	11-113dis	-0.1
гапса	7.47-7.584	7,564-7.584	1-3c dis		212-5dis	-1.99
Sweden	7.431-7.51	7,494-7,504	17g-21, ore dis	-3.31	57-64 dia	-5.20
lapen	179.50-180.75	180,10-180.20	0.31-0,28y pm	1,97	0,96-0.92pm	2.0
Austria	76.6312-16.831	16.77 -16.78 2	5-3gra pm		5-7pm	1,9
Switz.	1,9770-2,0010	1,9935-1,9945	0.56-0.53c pm	3.37	1,62-1,57pm	3.2
+ UK	and traignd	te quored in	US currency. F	DIEMO	premiums as	nď
disco	ents epply 10	the US dolla	e and not to th	a Indivi	dual currenc	у.
Bo	tourn mus in t	or convertible	francs. Finance	al franc	49.70-50.00.	

**EURO-CURRENCY INTEREST RATES** 

April. 4	Short	7 Deys notice	, 1 Month	Threa Months	Six Months	One Year
Storling U.S. Bollar Can Bollar D Gullder Sw. Franc Beutschmrk Fr. Franc Italian Lire	1119-11134 77:4-776 11-1119 012-558 514-519 486-419 20-25 10-18	1112-1154 756-712 1034-1114 556-512 276-518 456-418 10-15 12-17	11 % 11 ½ 7;2.7;2 10 % 10;2 0 % 01;2 4.4;8 4;2.4;8 8.10 13-16	11,1-11,5 1718.7 14 8:4-10,12 0r; -514 4418 4:4-4,5 812 812 1212-14	101a 105e 714 7.1 84a 05e 41: 616 5704 41: 4.3 8 0 18:15	1078-1014 718-713 0.1-8 5 4:2-518 578-4 456-412 8-9 12-13
8.Fr.(Fin) 8.Fr.(Con) Yen 1. Krono Asian \$   Sng!	1012-1054 15-30 012-559 819-10 74-73	10-10 4 8-14 5-4-6 2 0 4-9 4 7:2-7:3	8-11-12 5-12-5-12 8-12-0 7-16-7-12	914-812 8-013 0-1-514 814-814 7-1-7-2	858-878 754-854 412-0.4 8-812 710-714	815 836 712 812 4 7-014 713 835 718 714

lour years 7%-8 per cent; five years 8-8% per cont nominal. Short-rerm rares ere cell for US dollars and Japaneso yen; orhor two days' notice. **NEW YORK RATES** 

#### MONEY MARKETS

# Cautious optimism remains

Interest rales were barely changed in London last week although the market was still quiely confident that base rates would fail quile soon. There has been no real effort to force the pace following the Bank of England's friendly message last month when the market failed to switch out of overdrive even though base rates had been cut by a fully point in the same week. That the Bank signalled pattence rather than disapprovol to switch out of overdrive even though base rates had been cut by a fully point in the same week. That the Bank signalled pattence rather than disapprovol seems to have had some effect. Despite this the market remains outsingtic and although

out entirety the possibility of sterling tripping up on oil price uncertainty. That this may not happen (or some may argue that it already has) is insuffi-cient for the authorities at least to give the market a free rein mains optimistic and although happen (or some may argue other factors will play a part, that it already has) is insufficient for the authorities at least tion and oterling's recent resilitor to give the market a free rein.

#### WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	April 4	change	NEW YORK	April 4	opeu0e
Base rates	1112	Unch'd	Primo rates	8	.Uneh'd
	11 ا و 11	-1:	Federal funda	· 714	-;
3mth interbank	11.	— la	3 Mth. Treasury Sills	6,41	<b>-0,13</b>
Trousury SIII Tondor	10.7009	-0.0451	6 Mth. Treasury Bills	6.50	-0.13
Band 1 Bills	. 115a	Unch d	3 MIh. G D	7.01	D, 15
Band S allis	. 114	unet d			
Sand 4 Sille	112	Uneh'd Uneh'd	FRANKFURT Lombard	6.5	'Uneh' d
3 Mth. Treasury Silie	10 .		tine Mth. Interbank	4.46	-0.376
t Mth. Sank Allia	1150		Three month	4.475	-0.525
3 Mth. Bank Bills	10%	-10	,	_	
TOKYO Dine month Bills Three month Bills	5,81875 5,21875	- 0, 4575 -0, 126	PARIS Intervention Rato One Mth. Interbank Three month	814 814	Uneh' d + ;; 'Unch' d
BRUSSELS			MILAN		
One month	Q7g	+ 15	One month	14()	-3
Three month	a.s	+ 18	Three month	14,8	- ni
AMSTEROAM			DUBLIN		
One month	512	-14	Ing month	1456	—1.4e
Thtoe month	51g 5rë	Uneh'0	Three month	13	t 5g

London—ben0 1 bills meturs in up to 14 days, band 2 bills 15 to 33 ban0 2 bills 34 to 63 days and ban0 4 bills 64 to 51 days. Rates quoted son1 Bank of England buying or selling rates with the money merket, it centres mits are generally deposit rates in the domestic money merket.

#### MONEY RATES

April 4	Ov'r-nig'l	One Mont h	Two Mathe	Thrae Monthe	Six Months	Lombard )n'y'tin
Franklistt	4.4-4.5		4.40-4.55			6,5
Parle	81	95 <sub>6</sub> 812		9,t, 8		Bla
Zurieh	Ty · 2 is	4414	-	S 4	_	_
Amsterdom	0,:5 ,	5.5.5.2		5 to 5 . c		~
Tokyo	5.21875	5.21575	_	5.21875	_	_
MIII	15:4.16	145a 15	_	14 14 14 4	_	
Brussels	6.35	9. B		914 G18	_	
Publin			151g·135g		11-12	=

Wednesday sees the release of UK banking figures which will give some idea about the timing of another cut in rates.
Whatever the timetable a meetiog of Opec ministers on April 15 could persuade the authori-ties that walting another week or so would not make all that much difference.

Ono year ...
Two year ...
Three your
Four yeer ...
Five yoer ...
Seven year
10 year ....
30 year ....

0.15

#### BANK OF ENGLAND TREASURY BILL TENDER

Bills on Olfer				
Minimsm sccepted bi0 £0	07m <b>00</b> m		Top Accepted set of discount, 10,7294; Average rate of discount 10,7099; Average yielo	10.7440% 11.04%
Allotmen] et minimum level ]	7%	\$0 <del>0</del>	at next tender £100m	£100m

#### FT LONDON INTERBANK FIXING

(and the second second	
Three months US dollars	
bid 70 is Offer 75:18	bld 71'8 offer 71:4
The fixing rates are the critimetic	five reference benks at 11 em ser worklog day. The banks are Nation
means, rounded to the perset one- sixteenth, of the bid and offered rates	Westminster Bank, Bank of 7oky

LONDON MONEY RATES

- 1	tniorbanh	6 114-					
i		G-T T25	111 <sub>0</sub> 115 <sub>1</sub>	114-11 <sub>10</sub>	1119-1140	10%-10m	104-104
	Sterling CDs LocalAsthorityDepos	1119-1158	114.115	1715-1719	; 1110 <sup>-</sup>	103-10% 1012	104
	Local Author'y Bonde	<i>-</i>	<del>-</del>	. 12	1112	105g	10%
	OISCOURT Mkt Depos	51112	114-114	1112	1078	_	_
	Company Depos	912-1134	7119-11-6	117-117	114	1016	104
	7 reasury Billa 18us I	=	=	11,2 1156	10%	10-2	104
1	Bank Bille (Buyl	_	-	11 %	107	10	_
' i	Fine Trade Bille (Buy)		_	13	114	105a	<b></b> ·
- 1	Dollar CDs.,	. – .	_	7,20 7,05	7.10-7,16	7,05 7,10	
	SPR LinkeO Oepos	_	~	714-718			855-7
	ECU Oopes			, 834-01*	248-8 948-8	734.B14	710-8

Treasury Bills [soil]: ona-month 11½ per cent: three-months 10½ per cent. Bank Bills [sail]: one-month 11½ per cent; three-months 10½ per cent. Treasury Bills: Average tender rate or discount 10,7009 per sent. ECGO Fixed Finance Scheme IV relevance dara March 5 to April 1 (mclueivo): 11,577 per sent. Local authority and Finance Houses geven 0ays notice, others seven days fixed. Finance Houses Bare Rate 12½ per cent from April 1:7566. Bank Deposit Rate for suma at seven days notice 5½ 0 per cent. Certificates of Tax Deposits (Senes 5): 0egosite £100,000 and over held ander one month 11½ per cent: three-six months 11½ per cent: three-six months 11½ per cent: three-six months 11 per cent; avenup months 10½ per cent. Under £100,000 10¼ per cont 1 from March 25. Deposits held under Sones 5 10¼ per cent.

Prev 93.00 93.02 92.95 92.70 92.62 92.47

1.52 7.07 0.66 0.37 U.S. TREASURY BILLS (IMM) S7m points of 100% U.S. TREASURY BONDS 8% \$100,000 32nda ol 100% THREE-MONTH EURODOLLAR (IMM) 51m points of 100% Close High Low Pray 101-05 101-27 100-04 102-01 100-18 99-21 89-21 101-15 99-28 — 100-27 10% NOTIONAL SHORT GILT £100.000 CHICAGO

June	101-05	101-27	100-04	102-01	•				
Sept	100-16	59-21	<b>33</b> -21	101-15		Close	High	Low	Prev
Dec	99-26	_	_	- 100-27	June	93.13			
Est.	Volumo	0.814 (6	,664].		Sept	93,12			
Previ	ous da	y's op	en int.	B,049	Des	93.03			
(0,075)		-			March				
					June	92.69		92.59	
					Sept	92.53			
CHIC	CAGO				Des	92.38			92.32
					March			92.18	
гот	DEPOSIT	( PAGE 11					32.20	32.14	
	oints of				-				
num bi		" _			CU	RREN	SY FL	77 UK	E5
	Close	High	Low	Prev	-			<u> </u>	
Une	93.42	. 93.36	93.36	93.32	POUN	D\$ -{FC	reign e	<b>EXCHAN</b>	3E)
ept	93.41	93,40	_	93.34	-				
ac .	93.34	93.30	_	93.25	Spot	1-mth	3-mth	6-mth	
rch	93.17	_	_	93.08	1,4480	1.4431	1.4342	1.4255	7.4108
	ar seine	Pain			INUM-	STERLIN	G SE per	_	
D. 11	REASURY	BUND:	(CBI)	B7.					
100,00	0 32nds	01 100%			-	Close	High	LOW-	
	Close	Migh	low	Prev	June			1.4300	
סתמ	100-11	102-01		101-11	dept	1.4300		1,4220	1,4380
opt	99-21	101-13	99-14	100-24	Dec	1.4280	1,4290	1.4130	1.4280
ec	98-31	100-21	98-24	100-05	I ICCE.	STERLIS	462 COS OF	0 5 per	-
March	98-10		98-06	99-10	MAT I				
une	97-22	99-15	97-22	99-02		Close	High	· low	Prev
3ge	-			35-02,	June	1.4365	1.4450	1.4370	7.4484
NC.	96-10	98-94	96-12	98-04	Sept	1.4275	_	_	1,4385
arch	96-02	98-01	96-00	97-23	Dec	1.4187	_	_	1.4307
me	95-19				E-4	Volume	499 (01)		
		-	-	97-11					2,486
ept	94-24	_	. =				ny'a Opi	en int.	2,486
Dec	34-24		. –	95-22	(2,428)				
FXC.	HANC		,,,,,,,,	DATI					

LIFFE-EURODOLLAR OPTIONS \$1m points of 100%

EXCHANGE CROSS RATES

Арг, 4	£	8 .	DM	YEN-	F Fr.	B Fr.	H FL	Lira :	C.S	
£	0,691	1,440	3,460 2,389				2.698		2,010-	71.
DM YEN	0.280 5.836	0,418 5,665	15,27				1,139			
F Fr. S Fr.		1,881 0,501	3.155 1,198	237.8 90,30	3,797	2,699 1.	3,561 1,358	3198, 854,6	1,833 0,696	55. 24.
H FI. Ura	0,456 0,415	0,371	0.885 1,436				1,620			
O.S.	0.498 1.400	0,721 2,027	1.722	129.8 364.9	5,457 15,55	1,438 4,095	1.945 5,465	1199. 3373.	2,812	365
	4 mm	-		-	- 100	Wales	-	400	•	-

NOTICE OF REDEMPTION To Holders of TEXAS EASTERN FINANCE N.V. U.S. \$60,000,000 154% Guaranteed Notes Due 1989 Notice is hereby given that pursuant to puragraph 8 of the Notes and to the provisions of the indenture disect as of tune 1. 1982 among Texas Essent Pursuant, NX (the "Company"), Texas Essent Corporation, as Guarantee, and European American Bank & Trust Company, as Trustee, the Company has elected to reduce all of its outstanding 15% % Guaranteed Notes that 1999, as the exclusivous provisions and the state of the contract of t

NOTICE

#### **WestLB**

Eurobonds - DM Bonds - Schuldscheine for dealing prices call

Hong Kong, Telephone 5-8420 288 - Telex 75142 HX

Marketmakers in Deutschmark Bonds West LB Westdeutsche Landesbank

This notice complies with the requirements of the Council of The Stock Exchange and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.



£150,000,000

# Hanson Trust PLC

10% Bonds Due 2006

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Salomon Brothers International Limited

**Credit Suisse First Boston Limited** J. Henry Schroder Wagg & Co. Limited

Banque Bruxelles Lambert S.A.

**Barclays Merchant Bank Limited County Bank Limited** 

**EBC Amro Bank Limited** 

Samuel Montagu & Co. Limited

Crédit Lyonnais

S.G. Warburg & Co. Ltd. **Banque Paribas Capital Markets Limited** 

N.M. Rothschild & Sons Limited

Chémical Bank International Limited Deutsche Bank Capital Markets Limited Lloyds Merchant Bank Limited

Union Bank of Switzerland (Securities) Limited

Application has been made to the Council of The Stock Exchange for the Bonds, issued at a price of 100% per cent., to be admitted

interest on the Bonds is payable annually in arrears. The first payment falls due on April 18, 1987. Listing Particulars relating to the Bonds and the Issuer are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including April 9, 1986 from the Company Announcements Office of The Stock Exchange and up to and including April 21, 1986 from;

Hanson Trust PLC 180 Brompton Road London SW3 1HF

**Chemical Bank** 180 Strand **London WC2R 1ET** 

**Hoare Govett Limited** Heron House 319/325 High Holborn London WC1V 7PB

April 7, 1986

to the Official List

# **APOLOGY**

The Financial Times apologises to the British Airports Authority for having published incorrect copy in their full page advertisement carried in the newspaper dated Friday, April

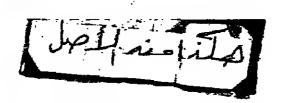
The new terminal 4 opens on April 12th. The erroneous copy implied that the date was ' tomorrow.'



**United Kingdom** Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 7th April, 1986 to 7th July. 1986 the Notes will bear interest at the rate of 74w per cent. per annum. Coupan No. 3 will therefore be psyable on 7th July, 1986, at the rate of US\$9084.20 from Notes of US\$500,000 nominal and US\$181.68 from Notes of US\$10,000

> S.G. Warburg & Co. Ltd. Agent Benk



0,000

Prime Minister Craxi has enjoyed power for more than  $2\frac{1}{2}$  years, an unrivalled post-war feat. He has presided over an expanding economy and Italy is no longer a country racked by crises

Rome Correspondent

from drinking poisonous wine.

even more appalling and if domestic air and train services

# Mr Craxi consolidates

complete.

Italy has had the same Government for more than two and a half years—a feat unmatched in its post-war history. The unions are quiescent and strikes are at their lowest level for a generation. The economy is expanding quite nicely and will this year receive a further boost from the fall in the oil price and in the dollar.

price and in the dollar.

Italian private sector companies are prospering hugely and the publicly-owned ones are improving. The stock exchange is roaring like a furnace—perhaps rather too fiercely. The press grumbles, but it no longer despairs. Italy, in fact, has ceased to be a wountry of crisis.

That does not mean that Italy has jost its capacity for drams.

That does not mean that Italy have improved, they are still have improved, they are still much worse than those of classically enigmatic end to the hig financial and political scandals of the 1970s and early cheque.

The writer in 1981 was at 1980s, Mr Michele Sindona, the convicted banker, died from pains to point out that official, syanide a few weeks ago—state-run Italy was not the only bether he had a committed seniors. Italians, that in prose industrial investors.

The writer in 1981 was at 1980s, Mr Michele Sindona, the cheque.

The writer in 1981 was not the only state-run Italy was not the only state-run Italy was not the only shanana republic. for Italian suicide or, logen symindered seniors Italians, that in prose industrial investors.

Men like Mr Gianni Agnelli, and the prima Minister, to improve mean much; and that it weak director. Mr Cesare Romiti and the prima director in the case of the state of the sort crisis did not character. The case revenue and an unwieldy bureaucracy, have smally preferred to mudge change along gently rather than take decisive action. The fall in inflation—now at 7 per cent ——was mainly due to external factors.

The writer in 1981 was at Sugar Corporation; and the superficial their country, has become a state-run Italy was not the only prima the control and the superficial their country, has become a campaint of the superficial investors.

Men like Mr Gianni Agnelli, and the following banker of the sort crisis did not character. The case expanding abroad: there expanding abroad: there expanding abroad: there expanding abroad: the fear are expanding abroad: th

PLC

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righted states -- 83-4 **U**-15

EXACTLY FIVE years ago the Financial Times began a major survey of Italy with the words: "Where else but in Italy could the word crisis have been all but stripped of meaning? Today, the country, to Italians and foreigners alike, seems in a worse-than-usual shambles."

The writer pointed to 20 per cent inflation, strikes, terrorism, mountainous losses by state industry, a political stalemate and a general sense of despair, epitomised by endiess newspaper editorials asking: "Where will it all end?"

Today, the contrast with 1981 could hardly be more By JAMES BUXTON Rome Correspondent

Rome Correspondent

state was probably the best formula for a diverse and energetic country. By that date, in fact, the first symptoms of recovery were beginning to show. In 1979 a small group of politicians and economists bed taken the decision to bring Italy into the European monetary system. That put an end to the days of easy devaluation and industry had to put its house in order. The following year, as a direct consequence Fiat, the country's largest private enterprise, took largest private enterprise, took on its unions in a strike and won. It not only achieved the right to cut the labour force and restructure but so transformed the industrial climate, that other private sector come. Italy's international image, the Government has in the past few days had to order wine exporters to certify that their wine does not contain illegal quantities of methanol after the deaths of about a dozen Italians

that other private sector com-panies could follow suit.

Even so the recovery of Italian industry which came next assonished almost everynext astonished almost every-body. Fiat is probably the con-tinent's most profitable large scale car maker and Olivetti its biggest indigenous data proces-sing equipment maker. By 1963 foreign companies were making big investments in Italy; the following year insti-tutional investors began to turn their extention to Italian equi-And anyone coming to Italy expecting to find the country. visibly transformed will be disappointed: the centres of big

cities are even more opulent but their outsidits just as squalid as five years ago. The traffic in Rome and Naples is probably. their attention to Italian equi-ties. Now it is Italian companies

**Banco Commerciale** Italiana

Share prices on the Milan Bonrse have soured (see index above) under the stable government of Bettino Craxi (right). Also helping has been an industrial revival, spearheaded by men like Gianni Agnelli (left) and Carlo de Benedetti (centre).

Mr Carlo De Benedetti, whose empire expands almost daily from its original base in Olivetti, are lionised in the Italian media as never before. Even state sector managers are now looked up to: ENI, the state energy company, last year made the biggest profits in its history.

much less inflationary form of indexation was agreed and the question bas ceased to be a political issue.

Where governments have almost completely failed, Mr Craxi's among them, is to hold down the government deficit and the national debt, which is now as hig as gross domestic has been the immensely

history.

Governments themselves, beset by the problems of coalition government and an unwieldy bureaucracy, have usually preferred to nudge change along genily rather than take decisive action. The fall in inflation—now at 7 per cent

where governments have almost completely failed. Mr Craxi's among them, is to hold down the government deficit and the national debt, which is now as hig as gross domestic product. When they have taken action it bas usually been to increase revenue, not to cut repeding

CONTINUED ON PAGE 12

least plan, even if they do not seem to implement very much, without the interruption of a change of government every ten-and-a-half months. Such ten-and-a-half months. Such events as the privatisation of minority stakes in companies controlled by IRI would probably never have got under way in the old days of regular histus.

Probably the most dramatic symbol of the new continuity is

#### CONTENTS

Politics: Mr Craxi's tightrope act Profile: Giuliano Amato, head of the Prime Minister's staff Foreign policy: Wide national discussion Foreign policy: Wide national discussion Bureaueracy: irritation of an ever-present plague Economy: Benefits from falling oil prices and weaker dollar Wages and Prices: Breakthrough on indexation Banking and Finance: Market orientation hastens changes Profile; Raul Gardini, boss of the Ferruzzi empire Private industry: Profits return after hard times State industry: Battle to reduce losses Energy: Fortunes swing with lower oil prices Education: Overcrowding and lack of investment draws

protests
Legal system: Judiciary under attack
Agriculture: Why Italians are leaving the land
The Mafia: Drive against criminal power Profile: Mezzoglorno (The Deep South) Profile: Florence Profile: Bari Fashion: Restructuring lifts profits

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# Mr Craxi's five-party tightrope

## JAMES BUXTON

MR BETTINO CRAXI, the Socialist Prime Minister, and Mr Ciriaco De Mita, the not like each other. They go for months without speaking.

In conditions of strictest secrecy the meeting was held at a neutral location somewhere in Rome.

of the Crexi Government. The coalition is tired, fractious and good Prime Minister and there is no obvious reason to replace

leads the Socialist party, Italy's third blggest political party, after the Christian Democrats

after the Christian Democrats
and the Communists. In June
1983 general election it won
11.4 per cent of the vote.
Mr Craxi became Prime
Minister after that election
because his party was more
than ever essential to forming
a coalition, and because the
Christian Democrats bad just
suffered the higgest electoral
disaster in their history, going disaster in their history, going down from 38.3 per cent of the

Mr Craxi's five-party adminis-tration — which includes not only Christian Democrats and occialists, but also Republicans, Social Democrats and Liberals,
Social Democrats and Liberals
— has survived because the
arithmetic still works in his
fevour and because he is exceptionally skilful et making sure that the political game is always

leader, making it easier for him to keep the dissidents under control. They demonstrated that there was so far little electoral disadvantage to the Christian Democrats in not holding the prime ministership — not only did their vote go np hut that of their big rivals, the Communists, went down (to 30.1 per cent last May); that of the Socialists rose, but that of the Socialists rose, but

Indeed, letting Mr Craxi have the pains as well as the pleasures of office gives another Minister's Office, in Socialist hands, the Christian Democrats can extend their power in other areas, some of which may be of more lasting importance to them: they can take a larger share of influential eppointments, especially et the local level, in banks, for example—usually giving them to men personally faithful to Mr De Mita.

by Mr De Mita, all the major parties voted—on the first parties voted—on the first ballot—to send Mr Francesco Cossiga, a former Christian Democrat prime minister, to the Quirinale Palace, replacing the venerated Mr Sandro Pertini, whose term had expired.

Last summer was good for the Coalition Government as a whole, in another way. The absurd referendum promoted

tionally skilful et making sure that the political game is always played on his terms.

Remforced

But there is another factor which, strangely, has worked to his advantage until now. The fortunes of the Christian Democrat party, are used to a tapid turnover of administrations. Until the Craxi Government, came, along, administration cand a haif months. With such a timescale MPs who failed to get a government post in one they scraped a tiny but psychologically important rise in their vote — of 0.1 per cent. Last May, in the regional elections, they achieved, to their own lasts as long as that of Mr Craxi.

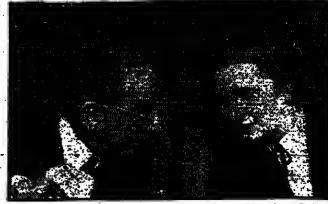


edvantage to the Christian Democrats: with the big prize of Palazzo Chigi, the Prime

And last year they also won back the Presidency of the Republic from the Socialists: thanks to brillient manoeuvring

ahsurd referendum promoted by the Communist Party on e minor aspect of the scala-mobile wage indexation was held in June, and the Communists were beaten by a decisive 8 per cent margin. The Communists have heen feeling sorry for themselves ever since, and are starting to revise their whole strategy.

In theory, the Craxi Govern-ment ought to have won a new lease of life; in practice, the going got rougher.



Cossign in conference with Mrs Thatcher, Prime

Finance Bill, or simply refused The political crisis that blew up last October in the wake of up last October in the wake of the hijacking of the liner Achille Lauro could have resolved matters, but did not, Mr Craxi resigned after the Republican party, led by Mr Giovanni Spadolini, a former Prime Minister and now Defence Minister, pulled out of the Government in protest the Government in protest against Mr Craxi's handling of the smuggling out of Italy of the PLO terrorist leader, Abu

Mr Craxi managed to cut the ground from under Mr Spadolini by demonstrating publicly that the US Govern-ment had treeted Italy disgracefully over the whole affair.

The Christian Democrats, on the other hand, refused to let Mr Craxi form a new government without the Republicans, as he hinted that he would like to do. Mr Craxi's prestige was so high, however, that there was no question of his leaving the prime ministership. So the answer was to re-form the before, even to the extent of declaring Mr Craxi never to have resigned—and he was able to claim the record a few weeks later for the longest-surviving government in Italy's post-war history.

#### Priority

At the end of February, the 1986 Finance Bill was finally approved, removing one more of accounts in the Government. There is plenty of legislation which the Government still wants to get approved, but a good part of its original programme has been imple-

Mr Crari would like to achieve a complete re-leunch of his Government, under his own Government, under his own direction, of course; that weuld involve a new cabinet; a new programme and firm, if unpublished, guarantees from Mr. De Mita that he can stay in power for another year or so, porhapaceum to the cand of the legislature; due in 1988, or, at any rate, not far short of it.

Exactly what Mr. De Mita first priority is to achieve the inconceivable that Mr. Crari would aquander his reputation Democrat party congress in May with Haly's Nato allies by an

parliament and that the post would revert back to a Christian Democrat in the second half. But he does not seem very keen to insist that altroanse takes effect here and now and anyway Mr Crari shows no sign of accepting it. The formula of Mr Crari in the prime ministership under Christian Democrat tutelage is a lot better than the alternative: a disgruntled Mr Craxi, with the potential to cause trouble in the way that made life almost impossible for Christian Democrat and Republican Democrat and Republic prime ministers before 1983. This relatively cosy picture is based entirely on the assumption that there is no alternative to the "pentapartito"— the grouping of five centre-left parties, with the Communists in

What would happen if Mr Craxi made a deal with the Communists? Up to now the Socialist leader has correctly judged that his best chances of obtaining and

best chances of obtaining and holding power were through an alliance with the Christian Democrats, He had no wish to see his party swamped in an alliance with the much bigger and better organised grouning of the left. He is, hy instinct, anti-Communist.

Yet many members of the Socialist party are to the left of Mr Craxi and favour a Communist alliance, especially now that the Socialists believe that they could get it more on their own terms than in the past Twice in recent months Mr Craxi has gone out of his way to say things that pleased the Communists: last November on the issue of terrorism, in the wake of the Achille Lauro affair; and earlier this month when he flattered the Communist-oriented CGIL union and attacked Italy's entre

and attacked Italy's entre-preneurs.
Even a degree of Communist benevolence towards Mr Craxi makes it thei much more diffi-cult to wrest the prime minister-ship from him. And the longer he stays in power, the greater the influence of the Prime Min-ister's. Office becomes, That is something the Christian Demo-crats ought not to forget as the

words — of 0.1 per cent. Last
May, in the regional elections, they achieved, to their own surprise, a jump of 2 per cent
These electoral gains actually made it more easy for the Christian Democrats to tolerate Mr Craxi remaining in the prime ministership. They reinforced the position of Mr Cristian Democrats and position of Mr Cristian Democrats and Socialists in 1983 the gloomy but immensely astute party in Parliament to vote against the for the first part of the Christian Would squander his reputation Democrat party congress in May with Italy's Nato allies by an and beig cusure his recelection, about-face of such, a kind, But as done, for more than two and bein cusure his recelection, about-face of such, a kind, But as a sparty secretary for a kind does his position no harm at term.

He has to report to his party spine of many Christian Democrats and Socialists in 1983 abstention in certain parliament of the first part of the present able.

PROFILE: GIULIANO AMATO

#### By JAMES BUXTON

# Powerhouse in the Palazzo Chigi

A SHORT, rather slender man with the rank of junior minister is now one of the most influential figures in most influential figures in Mr Bettino Craxi's administration. He is Mr Giuliano Amato who holde the post of Under-Secretary in the Prime Minister's Office, Palazzo Chief Chigi.

Mr Amato is, in effect, head of the Prime Minister's staff and Secretary to the Cabinet. He keeps Mr Craxi informed on what is going on, makes sure be is well briefed, and carries ont delicate political missions en his behalf.

Increasingly, however, he has been helping to ease the Government's business through Parliament, mediating between dissenting ministers and—an unprecedented role for a junior minister— chairing meetings of minischairing meetings of minis-ters. Furthermore, he has been taking steps to make the Prime Minister'a office a centre of policy making and co-ordination which it has never been before.

Mr Amato, who is 47, was a professor of law at Rome university before being elected a Socialist Party MP in 1983 in the Turin area where he was born. Before then he had chaired a Government committee the read with ment committee charged with looking into the workings of the Presidenza del Consiglio, the Office of the Prime Minister, in which he now

The Italian Prime Minister's office, housed around the conrtyard of Palazzo Chigi in the centre of Rome, has nothing like the power of its other European equivalents. The Prime Minister cannot freely choose his ministers (they are chosen for him by the parties in his ecalition); he cannot sack ministers; his powers to resolve disputes between ministers are minimal; and he has only limited control of the policies and legislation pro-moted by individual ministers. Mr Craxi complained from

Mr Craxi complained from an early stage at the impotence of his office. But though energetic, his attention to Government issues can be spasmodic. Mr Amsto, on the other hand, is not only highly energetic but also thorough and very efficient. Thanks to his capacity for work and his determination to find out what is going on, he has made what is going on, he has made himself indispensable, first to the Primo Minister and now, gradually, to the Government as a whole.

Where Mr Craxi's methods Where Mr Craxi's methods might sometimes be too forestad, Mr Amato uses charm and gulle, as well as a good sense of what is in the Socialist Party's interests. He played a key role in blocking the sale last year of the IRI subsidiary, SME, to Mr Carlo De Benedettl, a deal of which Mr Craxi thoroughly disapproved.

approved.
It was in his office that the mechanism was devised by which Abu Abbes, the Palestinian terrorist leader, was spirited out of Italy after. the Achille Lauro affair.

"Mr Craxi owes an immense amount to Amato," says an official who works closely with him. "He may not realise how lucky he is." Increasingly, Mr Craxi delegates to Mr Amaio the role of presiding over meet-ings of groups of ministers, particularly on economic subjects. It was Mr Amato who co-ordinated the policy on how Italy should deal with the windfall gains from the fall in the oil price and the

dollar. Mr Amato has been able to build up his power because he has access to information that not all his predecessors in his job have enjoyed. In the past, Palazzo Chigi was often unaware of all that was going on and being legislated in the Senate and Chamber



Gluifano Amate: carries out delicate political missions en behalf of Prime Minister Craxi

of Deputies and in the 26 pur-llamentary committees—all of which have the power to make

of Parliament has been increased severalfold: firey give Mr Oscar Manuel, Minister for Parliamentary relations, and Mr Amato Minister relations, and Mr Amato Idm-self, news on what ministers are doing. Mr Amato can then check back with the ministers involved and, in the case of matters involving spending money, check with the Treasury—which will usually object.

Last year Mr Craxi signed a eircular to all ministers drafted by Mr Amato which ordered them to pass all Bills and amendments to Bills through the Prime Minister's Office, and to obtain the per-mission of the office before proposing to parliament any measure that might involve extras spending or lower

This step, which might have been considered a normal precaution in other countries,

was revolutionary in Rome, and greatly expanded the control over the government exercised by Palazzo Chigi-and by Mr Amato. Yet ministers y compiled with it.

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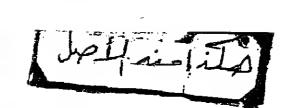
what Mr Amato needs now are more departmental experts under him at Palazzo Chigi to enable the Prime Minister's Office to formulate policy on its own. Already, an economics department has been created, and is starting to challenge the Bank of Italy's near-monopoly of Italy's near-monopoly at economic and financial advice

Mr Amato has been able to advance the frontline of the Frince Minister's Office, thanks in part to the extraordinary continuity provided by a Government that has lasted more than two-and-a-balf years. Now a Bill drafted by years. Now a Bill drafted by Mr. Amato is successfully making its way through Parliament which would increase the Prime Minister's powers, giving kim the official right in law to co-ordinate the activities of the Government to settle disputes between ministers, and to amail actions by ministers wille the question is considered by the Cabinet.

While Mr Craxi stays Prime Minister, Mr Amato remains Minister, Mr Amato remins secare. He works incessand, not even taking a summer break. "I work at Palazae Chigi from 8.20 in the morning to about 10.30 at night," he told a TV interviews. "When I get home," (he is married with two teenage children) "I just put on a how! of soup."

What would happen when Mr Craxi eventually leaves Palazzo Chigi is less clear. But intriguing parallels isve been drawn with Mr Girlie Andreotti. He filled the post that Mr Ameto now occupies





# Intense national discussion

Foreign policy ..... JAMES BUXTON

both desirable and attainable. As a recent example. Mr Nino Andreatta, the former Treasury Minister, told a magazine in answer to a question about the Bank of Italy. "Fortunately, within a generation the Bank of Italy will very probably not guided by an almost unspoken understanding between the governing political forces.

But in the part forces.

both desirable and attainable. As a recent example. Mr Nino Andreatta, the former Treasury Minister, told a magazine in answer to a question about the Bank of Italy. "Fortunately, within a generation the Bank of Italy will very probably not treat the properties of the European central bank.

The third strand is Italy's

But in the past few months But in the past few months foreign policy has not only come within an are of bringing adown the Government of Mr Bettino Craxi, but has created rifts in the ruling coalition which have still not completely healed. The national discussion has been so wide that the country's leading industrialist, Mr Gianni Agnelli, bead of Fiat, felt obliged to state his point of view.

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Italy began adopting a higher profile in foreign affairs in 1979, when it accepted the basing of US cruise missiles on its soil. In the next few years ltaly agreed to participate in the US-sponsored peace-keeping force in Sinai, sent a large contingent of troops to Lebanon to maintain the peace there, and year-by-year stepped up its foreign ald programme in a way which has astonished other donor rosity. countries by its gene-

Since he came to power in August 1983, Mr Craxi and his highly active Foreign Minister, Mr Giulio Andreotti, have built on these foundations. Mr Crari, though initially very inexperienced in foreign affairs, has developed an obvious liking for them, perhaps mindful of the former Mr Harold Macmillan's distance. dictum: "At home you're a politician, abroad you're a statesman. Through relentless tra-velling to almost all parts of the world he has become a well-known figure on the inter-national stage, and this has done much for Italy's standing.

strands in Italy's post-war end of Italy's presidency of the foreign policy. The first and community; and it was he who most important is its alliance pushed through the solution of with the US and its members an intergovernmental contains of Water Strangers are strangers are strangers. ship of Nato.

ship of a wider European group-ing a good way of diminishing the country's internal contradic-tions and divisions. Most Italians believe that European unity is both desirable and attainable

The third strand is Italy's perennial desire to increase its influence in the Mediterranean and act as a bridge between the Arab world and Europe. This aim makes sense in view of Italy's geographical position and the nature of Italy itself divided between a Central, European north and a Mediter-European north and a Mediter-ranean south. From Italy's Mediterranean aspirations stem the country's wider interests in the whole of the Third World, where the Italians ere aided by a past in which they usually fell foul of the major colonial powers.

#### Third World

Before he hecame Foreign
Minister, Mr Andreotti's
interests were mainly, if not
almost exclusively, with the
third of those strands—the
Mediterranean and the Third
World. Yet one of the most
striking features of his tenure
of the Foreign Ministry has
been the insistence with which
he has pressed Italy's point of
view in the EEC.

Mr Andreotti gives frequent
interviews to the Italian press

interviews to the Italian press and writes a weekly column in the magazine "Europeo": usually he expresses himself in phrases dense with equivocation and hidden meaning, but his public statements on the EEC are straightforward to the point

of trenchancy.

It was be who insisted most forthrightly on the rejection of nown figure on the inter-ational stage, and this has done such for Italy's standing.

There are three fundamental. Milan last June, held at the ference on reform.

small size of Italy's armed forces the US has the ultimate responsibility for Italy's defence. This gives Washington a position of infinence in Italy thet has no parallel with its role in other European countries.

The second strand is Italy's commitment to the EEC, It was the hope of the Italian architects of the treaty of Rome that Italy would find member—

Internal market in the EEC terrorists had murdered an without stronger supra-national elderly US passenger, Mr Leon Klinghoffer, until after the powerful European parliament. Then came the dramatic action by the US Government in forcing the Egyptian airliner achieved if there had been carrying the terrorists to only the equivalent of the freedom to land et the Nato base at Sigonelle in Sicily. Here, that Italy would find member—

The unanswered question is

to a supra-national anthority.

the second secon

As for the Soviet Union, Mr Craxi and Mr Andreotti beve achieved an improvement of relations which had suffered both from Raly's acceptance of cruise missiles and Italian hesi-tation in agreeing to buy Siberian gas,

The Soviets responded by cutting Italy out of a number of big contracts, so that Italy's deficit on Soviet trade widened

deficit on Soviet trade widened alarmingly.

In the past year, however, a number of major contracts have been won by Italian companies, but perhaps no more than Italy would normally regard as its fair share. Others, however, are under negotietions. But it is on the Middle East

that many of the energies of Mc Craxi and Mr Andreotti beve been focused. Their aim here was to contribute decisively to pushing forward the peace pro-cess by developing strong ties with the major Arab countries (Egypt, Syriz, Jordan and Tunista); by helping to bring the Palestine Liberation Organisation to the negotiating table, and by trying to convince other countries, notably the US and Israel, that the PLO was a valid interlocutor. If the policy worked, Italy's prestige and influence in the region would be

enhanced.

As long as the chances of the Middle East peace process sponsored by King Hussein of Jordon looked reasonably promising, the Italien initiative looked reasonably heakhy. Mr Craxi twice met Mr Yasir Arafat in Tunis, where the Prime Minister has a house.

But Mr Craxi and Mr Andreotti seemed unable to

enhanced.

Andreotti seemed unable to balance their sympathy for the PLO with a serious considera-tion for Israel's position. Rela-tions with Israel deteriorated and reached rock-bottom when the Italian Government condemned in virulent language the Israeli reprisal raid on the PLO beadquarters in Tunis last

#### Mediator

with the US and its membership of Nato.

Intergovernmental conference on reform.

When, at the Luxembourg summit last December, only a summit last December, only

whether Italian politiciaus and terrorists be handed over for bureaucrats would really be trial on Italian soil, rather than prepared to give up power over whisked off to the US. He also many matters of everyday life decided thet Italy could not decided thet Italy could not hold Mr Abu Abhas, the Palestinian terrorist leader who gratuitously fell into Italian hands. But Italy spoilt matters by sneaking the Palestinian leader out of the country by devious means.

The Achille Lauro affair provoked the resignation of the Craxi government — later rescinded—because the Prime Minister got too far out of line with Mr Giovanni Spadolini, the Defence Minister and leader of the Repoblican Party, who had been deeply suspicious of the pro-PLO policy from the start. It also provoked a crisis in relations with the US which was furious at the release of Abu Abbas.

#### Dignified

But here again Mr Craxi showed that he was not prepared to be bullied. He protested in dignified terms to both the US Government and in Parliament about the high-handed way the US forces hehaved towards the Italians at Sigonella and how a US aircraft violated Italian airspace to trail the Egyptian airliner on its flight from Sigonella to Rome.

The row with the US was bealed by Mr Craxi and President Reagan on something approaching equal terms, an important development in important develop US-Italian relations.

The murderous attack in late December by Palestinian gunmen on passengers at Rome's Fiumicino airport showed that Italian targets were ever more in the sights of Arab terrorists, and that Italy had gained no immunity through its vigorous promotion of the moderate Palestinians.

In short, the Italian policy on the PLO hed failed. In January, Italy imposed a partial arms embargo on Libya with which it had kept on reasonable terms end began introducing visas for North African visitors to Italy.

Though Libya's complicity in the Fiumicino attack was considered by the Italian Government to be far from proved, Mr Andreotti was unusually evasive

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# THE ENI GROUP ORGANIZATIONAL STRUCTURE

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# AT THE TABLE WITH THE WORLD In its second adition, CIBUS has already become an international event, opening its doors to all five continants. The auccess this show has enjoyed right from the beginning, end the interest shown by thousands of bolh trailian and toreign buyers - not fo mantion enthusiastic comments from the international press - have made CIBUS a must lor averyone operating in the food sector, producers and distributors alike. Ar CIBUS, tally becomes the focal point of a new outlook on food, which springs from the Mediterranean culture and its timeless fradition of good eating, aiming to meat even the most up-to-date requirements of en evolving marker. The Italian tood Industry, with its very high presence at CIBUS 85, showed, through its wide range of high-

# Irritations of an everyday plague

#### Bureaucracy DAYID BARCHARD

Top level appointments are highly politicised and a network of patronage runs through the whole system. Mediter-rance Seckology professor, Mr raneau habits of mind presched. Family and local the north in Milan, however, an industrialist offers the opinion that "bureaucracy is not a major problem for Italian industrialist offers the opinion that "bureaucracy is not a major problem for Italian industry. You can always by-pass it with money or whatever."

Top level appointments are highly politicised and a network of patronage runs through the whole system. Mediter-tous definitions between 2.2m and 3.6m employees of the central bureaucracy in Italy, which our businessmen are living."

At Censis, a Rome institute sponsored by the private sector for economic and social research, and between 2.2m and 3.6m employees of the central bureaucracy in Italy, which our businessmen are living."

At Censis, a Rome institute sponsored by the private sector for economic and social research, and three tiers of regional and local government, and perhaps in teachers beyond that.

Civil servants are recruited by examination, the majority of applicants being law graduates with sonthern backgrounds.

There are, according to various definitions between 2.2m and 3.6m employees of the central bureaucracy in Italy, and perhaps in the three tiers of regional and local government, and perhaps in teachers beyond that.

Civil servants are recruited by examination, the majority of applicants being law graduates with sonthern backgrounds.

This should be good news for examination, the majority of applicants being law graduates with sonthern backgrounds.

There are, according to various definitions between 2.2m are living. At Censis, a Rome institute sponsored by the private sector for economic and social research, and there tiers of regional and local government, and perhaps in the previous expects of the control of the tiers of sections are living. At Censis, are living. At Censis, a Rome institute sponsored by the private sector for economic

"Certificato di Esistenza in which is submitted to

trative climate which seems to which ordinary Italians are in myself would say it has more blend legalistic inflexibility creasingly coming to expect as to do with Fascism and the 1930s, with practical ineffectiveness in tax reforms bite into what were But you are right. It certainly equal proportions.

of paper known as "carta bollata "which can be bought in certain shops.

Italians must provide certificates in endless duplication to show where they live, who they are, who their parents were and even that they themselves are still alive in the notorious "Certificate di Esistenza in

#### Cost-effective

officials on occasion to convince them formally that the person they are speaking to is not dead.

Such a state of affairs is not making the Italian civil service

qual proportions.

Top level appointments are sida the tax system.

institutions, such as the Consiglio di Stato (modelled on the French Coosed d'état) where administrativa law is applied and ordinary citizens can bring cases, and a Corte del Conti to scrutinise public spending, it has until recently lacked any equivalent of the great training schools which are the seed beds of the French civil service.

In the early 1980s, however, Iraly set up two institutions, each entitled "Scuola Superiore" Would more effective bureaucracy release pent up energy in the Italian economy or would it

intended to identify ways of making the Italian civil service. In the early 1808, however, leonic legal and administrative procedures have been grafted on to older absolutist monarchical tradition. A Roman civil service, rather than as subjects to he ordered around. FEPA plans to monitor the quality of Italian civil service, when suffuse the originally Piedmontese Halian civil service, when to draw its recruits primarily from Mezzogiotno law graduates.

All this clashes with Italy's recently acquired status as the world's sixth largest industrial economy and it raises fundered monitor the quality of Italian civil service, when soft of the proportion of the proportion expansion expected of the French civil service, wing service, in the early 1808, however, lin the early 1808, however, lin

But you are right. It certainly has little to do with the modern Italy in which our businessmen

biggest single problem in tally." Four hundred miles to the north in Milan, however, an industrialist offers the opinion short-circuit otherwise intoler that "bureaucracy is not a major problem for Italian industry. You can always by-pass it with money or whatever."

Certainly for ordinary citizens, as Mr Ferrarotti says, as Mr Ferrarotti says, bureaucracy is one of the most vezatious aspects of life in Italy. Public agencies submit bills years late. Petitions, submissions and almost any sort of official communication have of paper known as "carta of paper known as paper a between ministers.

Although Italy has most of the institutions, such as the Consiglio di Stato (modelled on the French Consell d'état)

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#### Economy ALAN FRIEDMAN

THE TTALJAN economy is likely to realise significant benefits this year from the fall in oil prices and the weakness of the US dollar against the lira. The combined effect of these two factors will be like a windfail for a country whose run-away domestic spending and consequent public sector bor-rowing requirement (PSBR) has for years kept its inflation and interest rates way above the level of its main trading

Italy imports about 70 per cott of its energy requirements, compared to a European aver-age of 40 per cent. Aside from large food imports, the cost of energy imports bas thus been a major factor in Italy's trade deficit, which last year reached a record L23,000bn (\$15.2bn), a rise of 21 per cent on the 1984 trade imbalance. It is possible that the 1986 trade deficit will fall to around L16,000bn to

#### A fillip

The Bank of Italy and a variety of private sector economists are nnw predicting that falling oil costs and the savings released by a weaker US dollar should result in a gross saving of about L15,000bn (\$10bn) in Italy's 1986 energy costs. This will clearly provide a fillip to both industry and the individual in the Italian ecocomy

Recent interest rate reductions in West Germany, Japan and the US will also help Italy to lower its bank lending rates and the level of interest paid on Treasury bonds. Thus it is possible that the above factors could see Italy's interest rates coming down by up to three points during the course of this year, which would suggest a prime rale of 13 per cent in-stead of its present level of 16 per cent, and a yield on Treasury bonds closer to 11 per cent than the 13.5 per cent available at present.

which remained Inflation. per cent in the closing months of 1985, could well drop to six or even five per cent by year-end. This of course would

of six to ten per cent even exports expressed in US dollars under optimistic conditions. bring the level up to 30 per cent Italy's bank loan rates at or more. present range between 142 to 15 per cent for ton because 15 per cent for top borrowers to well above 20 per cent for

The current account, which at the end of 1985 suffered a L7,000bn deficit, is now expected to move toward a L5,000bn to L7,000bn surplus by the end of 1986, which would represent a genuine improve-

All of these estimates are based on an average 1986 oil price of US dollars 21 a barrel and an exchange rate of L1,650 per US dollar. As the price of oil is now well below \$15 a harrel and the exchange rate at around L1,500 to L1,550 per dollar, there is scope for an except better performance.

eveo better performance.
Without the good fortune discussed above Italy would have been lucky to have achieved a real rate of economic growth of about two per cent in 1986:
now the prospects are strong
for economic growth of 2.5 to
three per cent or even higher.
Corporate profilability, meanwhile, is expected to rise by

an average of 35 per cent in 1986, similar to last year's level of increase. Italy's private sector industry is finally enjoying the fruits of five years of major rationalisation, increased spending on factory debt rescheduling, improved cash flows, lower unit labour costs and a new found ability to tap the domestic stock market and international capital markets for funds which in the past would have come from exorbitantly-priced bank

This is the good news. The current year will not, bowever, be quite as rosy as these predictions suggest. The weakness of the dollar has some negative implications for the competi-tiveness of Italian exporters in the world market and country's public sector deficit continues to bang over the economy like a Sword of

While lower energy costs will

certainly reduce the cost of raw materials needed for industry the weakness of the dollar will mean that Italian exports are mean that Italian exports are likely to be 2 per cent more expensive in price terms. Although Italian exports to the US represent only 12 per cent

The other side of the coin is imports and Italy's import demand is very sensitive to a rise in general internal demand. Thus, import prices for Italy are expected to drop by an overall average of 5 per cent. while domestic demand is likely to rise by 8 per cent this year. That implies an increase in import demand in 1986 of between and 8 per cent, while growth in exports this year is forecast at around 4 to 5 per cent. So while it is true that the

saving on energy costs should provide families with a net in-crease in disposable income and industry with lower production costs, this does not necessarily translate into quite as much benefit as might appear. Industry, for example, is unlikely to pass on to consumers its savings in energy and raw material expenses—these could well go toward wage rises and overall profits.

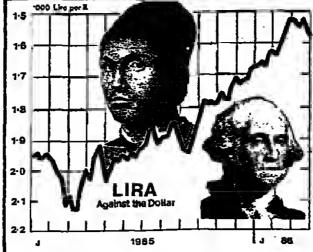
#### EMS realignment

Meanwhile. Italy needs to consider the fact that many of its export markets in the oilproducing world, whether that be Arab, African or Latin American countries, will not be in a position to increase buying or even maintain at 1985 levels. Even for an economy as dynamic and flexible as Italy's it will not be easy to restructure export markets. What would really be useful would be to redirect exports from Third World oil producers and the US to Europe, but that is more easily said than done.

A realignment of the Euro-pean Monetary System (EMS) which would see the Deutsche Mark and/or French Franc revalued against the Italian Lira be very belpful for exporters, but that depends very much on domestic political and economic developments in West Germany and France. While It is rash to predict when and how EMS re-alignments take place, there are few signs of a Deutsche Mark

revaluation in the near-term.

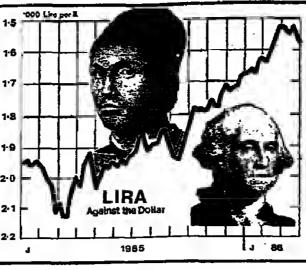
The Italian public sector deficit is the Italian economy's worst enemy. Despite much rbetoric, the five-party ruling coalition of Mr Bettino Craxi to six or even five per cent by Although Italian exports to the has done nothing of any sub-year-end. This of course would US represent only 12 per cent stance to cut public spending of the country's total exports.

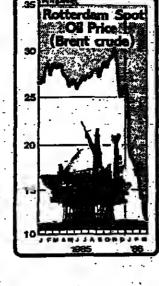


25 per cent for bank loans, while inflation stands at 8 per

Domestic Product (GDP).

Thus the Italian economy in





#### Guide to the economic recovery Real rate of econol 470,484 538,998 612,112 680,500 752,000 GDP (L bn) Total state debt stock 340,516 432,152 530,527 653,300 765,000 (Lbm) Inflation (2010al 10.8 average) Prime rate (annual 16.6 14-15 17.7 average) -Belance of payments +706 -7,254 -7,000 +7,000 (L bu)\_--\_ ~

fne deficit has kept interest rates artificially high and bas until recently crowded out private sector borrowing. Fortunately the private sector has lately been able to finance itself from cash flow and the Milan bourse. But this is not true for bourse. But this is not true for the thousands of small companies who do not have the panies who do not have the credit rating or fame of an Univerti or Fiat. Small and medium-sized companies at present can pay between 18 and

The Milan bourse as a source of capital is growing rapidly, but consider this: the entire market capitalisation of the Milan bourse is roughly equal to the Italian Government's PSBR in just 12 months. And the total state debt stock, forecast to be L765,000bn (\$506bn) by year-end, will this year represent more than 100 per cent of the Italian annual Gross

Something like 60 per cent of annual borrowing by the Government goes simply to ser-vice the debt stock. Thus the annual deficit needs to be cut net of interest costs—and that appears to be too unpalatable to the Craxi coalition Government. which like any Italian post-war government has maintained Europe's most generous welfare spending in order to jockey for votes.

1986 is likely to experience reasonable growth, thanks to external factors such as the dollar, the price of oil and the monetary policies of Washing-ton, Bonn and Tokyo, 2s well as a bealthy domestic private sector. The lack of courage and or inclination on the part of the Rome Government to make genuine cuts into the public sector deficit is clear. The question now is whether Rome will ever seize the initiative.

# A breakthrough on indexation

#### Wages & Prices JAMES BUXTON

A FEW DAYS before Christmas ltary's employers, from the government itself to the main private sector organisations, agreed with the trade unions on a major reduction in the ingexation system,

scale mobile. Under the agreement the degree of protection against innation provided by the scala mobile is to drop from about 65 per cent to about 51 per cent of inflation. The indexation system, instead of triggering once every three months, win now trigger only once every six montas

Earlier in the decade such an agreement would have been pailed as "historic." The fact that this word was almost completely absent from comment ROOM the latest agreement, and that the whole base received tar from saturation press coverage, show how much the Italian racour scene has changed in the last rew years.

For years the scala mobile was considered in he one or the worst evils of the trains economic system. Since 1870, when it began to operate in its most elaborate form, it gave the average worker protection against about 80 ber cent of m-HACIOD.

Based on an extremely antiquated index of consumer purcoases, it triggered every three months, guaranteeing automatic pay increases. Inough the ing scale, it was not a stiding scale at all: every worker the same nat rate pay increase, Economists argued long over whemer the scale mobile caused inflation. The correct answer was that technically it only re-inforced inflation caused by other factors, such as monetary expansion and imported price increases. But it raised infla-

monary expectations and made it harder for governments to reduce inflation.
It also meant that measures which governments in other countries might consider defiationary, such as increases in VAT intended to cut consump-tion, turned out in Italy to be inflationary, because they imme-diately stimulated pay rises.

ironically, the employers agreed to the system in 1975 partly because everyone was convinced that inflation, then in double figures, would fall. In fact the opposite was the case, and the wage indexation system also became invested was the case. with political mythology: it was regarded by the unions as a major social advance and, as such, "untouchable."

#### Reform It was the industrial em-

ployers in the private sector, through their organisation Confindustria, who in 1981 first raised the question of reformraised the question of reforming the system, just as they began recovering confidence after the years of despair about labour relations in the 1970s. At the same time two of the three unions, the Catholicorianted CISL and the UIL, which is close to the Socialist party, began to appreciate the advantages of a reduction in indexation: less indexation would mean more space for collective bargaining, less squeezing of differentials and a more useful role for the unions. But the CGIL union, close to the Communist party, refused to countenance change. This is not the place for the full tortuous story of the reform of the scale mobile. Suffice it to say that in January 1983 unions and employers agreed to reduce the degree of protection afforded by the system by about 18 new cent to around 55 new 15 per cent to around 65 per cent. The agreement was indeed the breakthrough that it was halled as at the time; but it-

was haned as at the time; out it in inflation, and it left some serious loose ends.

The following year, in February 1984, Mr Bettino Craxi's government, alarmed about the slow drop in the inflation rate, the the timeston of the froze the triggering of the scala mobile for two quarterly scala mobile for two quarterly periods, costing workers four index points or pay rises of 127,200 (£12,30). This move was backed by the CISL and UIL and, with some reluctance, by Confindustria. But it was ferociously opposed by the CGIL and its mentors in the CGIL and its mentors in the

Communist party.
The Communists refused to

feat on this temporary once and it the impact of indexation. feat on this temporary once and if the impact of indexation, for all reduction in indexation. Confindustria's own forecast is They called a referendum and for an inflation rate of only last June the matter was put to 4.15 per cent in 1988, compared the vote. The campaign in with an estimate of 7.6 per favour of the Government was cent for this year. So Confindustria, though it would have little of the obvious point that the CGIL, apart from being had indexation, has much to console indexation, has much to console indexation. losers, were favouring those who had jobs over those out of work—who could not benefit from the scala mobile. itself with.

Yet those who voted in favour of the reinstatement of the four points were beaten by 8.6 per cent of the vote. It was justi-fiably bailed as a victory for tha good sense of most Italians.

The referendum finally cleared the air. A few months later, in September, Confindus-tria and the unions sat down together for the first time in

eight years to negotiate not just on further reductions in wage ndexation but also new wage contracts which, it was hoped, would introduce greater scope for wage bargaining and streamline other aspects of labour

relations.

Those talks did not go as well as had been boped. They broke down altogether just before Christmas when the employers refused to contemplate reduc-tions in working hours, and the wage contracts of many groups of workers have now expired. Before the talks broke down,

the Government, in separate servants, secured agreement on a new form of the scale mobile, put forward by Mr Gianni de Michelis, the Minister of Labour, This system was more generous than Confindustria would have liked, but the Government put the employers association-under strong pressure to accept

it. Refuctantly, it did so. New system

Under the new system, which will proper only every six by righting of the labour. by righting of the l

ment. But this disonte should be ironed out, and the 51 per-cent protection agreed for three years is a major improvement on the pre-1883 situation.

· The Italian labour relations scene now presents, in tha words of one outside expert, an unusually harmonious picture. Wages are still rising, but less rapidly than in the past; the unions are quiescent, and their membership is declining. Strikes are rare: in the first six months of 1985, the number of hours lost through strikes 1984, which was the year in which fewer hours were lost through strikes than at any time in the previous 20 years.

The fact that wage contracts have in many cases expired bas neither caused strikes nor prevented big employers, such as Fiat, making reasonably generous short-term pay rises



fr Gianni De Michelis. finister of Labour, aware of

the existing scala mobile index which is not being revised. The average level of inflation protection is estimated at 51 percent. The new system begins operating in April.

For many Confindustria employers the new system will actually represent a rise in the cost of indexation because many of them have not been paying the scala mobile in full recently owing to a dispute over the interpretation of the 1983 agreement. But this dispute should be ironed out, and the 51 per

Above all inflation, now run- is one of the social buffers-ning at about 7 per cent, is which the Italian state provides expected to decline, and with to ease the burden caused to

rigid labour is we. In 1984 it cost the state about 1.2,000bn: cost the state about 1.3,000m; it amounted to a first class system of unemployment pay is cordinary unemployment pay is very low) and it allowed employers to balance their labour forces to their needs—a vital requirement in the absence of the coverence of the process in matters in the coverence of the coverence any overtime practices in major Italian companies

The very high level of youth unemployment is another con-sequence of the rigid labour laws. With the dismissal of workers virtually impossible for big employers it is extre-mely difficult for employers to reduce the average age of their workforce.

If they lay-off workers they must re-hire them if they need them later, they cannot hire different ones. If they want to recruit new workers, they have to get them from the afficio di collogomento, or state labour exchange, which gives precedence to older, rec workers, May companies there-fore avoid recruiting at all costs and are prepared to make large investments in automation

#### Injustice

Mr De Miebelis, the Labour Minister, is intensely away of the injustice and human pro-blems caused by the rigidity of the labour market. Yet so far he has been unable to do much to alleviate them, although he had drafted a number of plans. Both in Italian administration and in labour relations change is difficult to achieve and comes slowly. In the meantime both supplyyers and the unemployed st do their best to get round

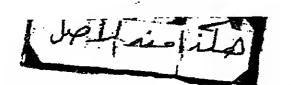
In many other countries the level of youth unemployment would be a cause of rebellion. That this has not so far happened in Italy seems to be size to two specifically Italian factors. The young memployed are usually still living with their parents and offen sajoy part of the pensions and offer social security benefits baid to the older members of their families.

where over at higher some 32 per cent of the labour force is in the southern part of the country—where overall unemployment rates are far higher. Some 32 per cent of the labour force is in the south but also some 45 per cent of the unemployed. 45 per cent of the unemployed. Here sadly, the phenomenon still enjoy 80 per cent of their is far from new unemployment original pay and get it from is a percental problem in the the state.

South of Italy, but the social The cassa integrazione system structure is specially adapted to cope with it. Yet on any objective criteria It must be a potentially explosive situation.

# REACHING NEW HEIGHTS. and financial requirement. Sanpaoto means consultancy, economic analysis and marketing, 2.1.295 million. Deposits, mortgage bonds and other bonds: £ 17 618 million. Sanpacle also means: 353 branch offices in Italy: foreign branches in Amsterdam. Frankfurt, Munich, London Los Angelos, New York and Singapore representative offices in Brussels, Paris and Zurich; The bank for you. Always. 9.St. Paul's Churchyard London EC3M3 AB tel. (00441/ 2362211-8811145-6511149





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The Milan bourse is meanwhile enjoying an extraordinary bull run which is bringing prosperity not only to institutions, but also to around Im small investors who have poured more than £10bn of funds into 40 new unit trusts over the past 12 months.

Banking &

Finance '

ALAN FREDMAN

will be gone again by this sum-

It might be an over-statement to describe the combined changes as revolutionary, but it is significant that a banking system which for decades has been tightly regulated by the central bank is now being nucled our tightly the first statement. pushed out into the free mar-ket. It is equally significant that Italian corporate finance is shifting away from an oligar-chic structure of closed-circuit

that Italian corporate finance is shifting away from an oligarchic structure of closed-circuit transactions and moving toward market orientation.

The changes, if they do not stall, should bring greater transparency in dealings and a better functioning financial system both for industry and the individual.

Sary as part of a lira defence s

individual.

This being Italy, however, the news comes with a string of caveats. For one thing, the trend toward greater deregulation in banking was cent and the level of net profits halted temporarily by the reinfluid in mid-January of litaly's equivalent of the corset of years. State banks such as lending which were made necestage.

Wall be gone again by this summer.

Even so, the banks are not suffering. Lending margins remain in the region of 4 to 6 per cent and the level of net profits among leading banks has been doubled over the past couple of years. State banks such as Banca Nazionale del Lavoro (BNL). Banco Commerciale lending which were made neces- (BNL), Banco Com

PROFILE: RAUL GARDINI

Lending rates remain exorbitant by the standards of other the Italian state budget deficit. a year is bound to keep interest rates artificially high.

The impact of the deficit on interest rates is clear when one considers that inflation is now at around 8 per cent and the drop in oil prices could see Italy's inflation level down to 5 or 6 per cent by year-end. Bank deposit rates average

European countries, and the 16 now prepare consolidated and per cent prime is a result of global balance sheets, they can the Italian state budget deficit. no longer get away with the A public sector borrowing practice of "window dressing" requirement of \$50bn to \$65bn year-end accounts by shunting loans around to inflate total assets and there has been more freedom both in the type of lending and rate of growth per-

mitted.

Banks are now free to set their own interest rates, which has meant that lending to quality corporate names has ranged between 50 basis points

#### Rights issue

Mr Raul Gardini, the chair- market. man of Italy's Ferruzu agri-business giant, launched a L600hn rights issue last autumn; and Montedison, the said recently that "Milan is autumn; and Montedison, the chemicals group which is a considerable turnaround story, has announced share issues totalling Ll.145bn in the past three months.

own, tapped the Milan bourse own. Share prices these days problem which, if not resolved bolders, a struggle which was and Euromarker for around bear little relation to funda- by the speedy approval of laws really about the isue of what mentals, with price earnings designed to streamline settle-kind of instrations of 20 to 30 being meaomeous, could cause serious in future, ingless to the Italian equity damage to the reputation of the Dr Ent Milan bourse.

A distinguished former chair-

#### Fruits of Milan

Foreign investors are upset over this problem, but the pen-sion fund managers and portfolio managers at merchant banks in London, investment banks in New York, Tokyo and

Italy and for the most part turning increasingly away from totable exceptions) without a notable exceptions without a domestic deposit base.

The change in banking has—with the exception of the current six-month phase—been marked since 1983. Banks must mow prepare consolidated and global balance sheets, they can no longer get away with the exceptions of the carrent six-month phase—been marked since 1983. Banks must now prepare consolidated and global balance sheets, they can no longer get away with the exception of the carrent six-month phase—been marked since 1983. Banks must now prepare consolidated and global balance sheets, they can no longer get away with the exception of the carrent six-month phase—been marked since 1983. Banks must now prepare consolidated and global balance sheets, they can no longer get away with the exception of the carrent six-month phase—been marked since 1983. Banks must constructing a personal indis
The change in banking has—been trial and foreign capital markets as a source of capital.

Fix led the way in 1984 with a huge share issue. Last year marked since 1983. Banks must constructing a personal indis
The change in banking has—been in a slump for two years1 and postal savings.

Originally inspired by the Craxi faces is a series of bureaucratic faces is a series of bureaucra The only institutions which kind of institution it should be

Dr Enrico Braggiotti, Mediobanca board member who is also joint managing director of Banca Commerciale Italiana, explains that in the 1960s and 1970s Mediobanca was the clearing house for all corporate transactions.

"Now the private sector com-

# Backwoodsman with financial flair

THE man who controls Italy's third largest private sector company efter Flat and Montedison likes to describe himself as a country boy.

Mr Raul Gardini is a 52-year-old native of Ravenna, the town on Italy's Adriana coast which is also the headquarters of his international agricultural, banking, sugar, commodity trading and shipping empire which has annual revenues of tiese 5500.

US\$6.5b0.
The empire is grouped together in the Ferruzzi group, which employs a workforce of 10,000 and owns more than 2.5m acres of land in Europe, the United States and Latin

America.

Despite the fact that Mr. Gardini has been operation lately on the international stage, he likes to cultivate a backwoods been increasingly prominent, both on the Italian and the European industrial scene.

He is trying to persuade the European Commission to allow him to invest more than \$650m in a plan to convert cereal surpluses into ethanol, a petrol additive. He has taken control of Beghinpaper products group—this control, combined with Ferruzzi's Eridania Italian sugar subsidiary makes the group Europe's largest sugar con-glomerate with 18 per cent of the market.

In the UK, at the time of writing, he was attemping to take control of British Sugar, the subsidiary of S. and W. Beris-

Meanwhile. Mr Gardini has taken his group into the Montedison Chemicals giant as a key member of the controlling shareholders syndi-cate. He is also a key shareholder at the L'Espresso pub-lishing group and at Credito Romagnolo, the Bologna-based bank which is one of Italy's most important private banking institutions.

the latter two cases, Mr Gardini has common interests with Mr Carlo de Benedetti, the Olivetti chairman who is also assembling a major per-sonal empire. The two men are on friendly terms and appear to respect each other's abilities.

Thus, the provincial affectations are in part a stylistic technique for Mr Cardini. When, for example, Mr Cesare Romiti, the Flat managing director, last autumn revealed in public details of private dinner conversation he had had with Mr Gardini about the possible transfer of a shareholding in Montedison, Mr Gardini responded immediately by saying: "Who knows what those big city people are np to? We in the countryside prefer to be

discreet and silent."
So discreet and silent has the Ferruzzi group been that it only recently began unveiling the extent of its holdings. It has still to present its first-ever consolidated balance sheet, although Mr Gardini last mouth hired Mr Mario Gabbrielli, the former group finance director at Italy's ENI state energy company, as his own managing direc-

Mr Gardini is a shy and unassuming man who, nonethe-less, knows what he is about. He is generally well tanned and his main passions outside of work are saiting and hunting. He has won sailing prizes at Newport and in Sardinia, and in 1979 was one of the survivors of the Fast-



Raul Gardini: controlling the discreet and silent Ferruzzi empire net event which ended in death for several competi-

image which belies great financial shrewdness and enormous personal wealth. In Argentina where he is an weeks at the family ranch in Argentina, where he is an avid horseman, as well as hunter. He also enjoys shooting in Scotland, "when friends at Tate and Lyle invite me." Otherwise he is content to crouch in a woode

rowboat up the coast from Ravenna, waiting for ducks to come within range. Born to a land-owning family in Ravenna in 1933, Mr Gardiai first met Ida Ferruzzi, his wife, at the age of 15. The family of Scraimo Ferruzzi, founder of the empire, lived a few steps away from the Gardini family and so it was not surprising when Raul Gardini and Ida one of three Ferruzzi daugh ters, married in 1959.

Mr Gardini worked as an assistant to Serafino Ferruzzi until the latter's death in 1979, when he became group managing director. He had travelled the world for Ferruzzi, surveying the group's activities in the US (Ferruzzi owns 50 per cent of American Bank and Trust in New Orleans) and in South

America. In 1980 he managed the take-over of a 50 per cent stake in Begin Say, which as a result of French sensitivities was cut hack to 40 per cent, only to be boosted back up to 50 per cent last month, in large part because Tate and Lyle sold a 5 per cent stake in Beghin-Say to Mr Gordini, Ferruzzi keeps tight control of its holdings, but around half of annual turnover is con-

of annual furnover as consolidated in the balance sheet
of Agricola Finanziaria, the
quoted company.

The cement business remains
important for Ferruzzi,
although it recently liquidated \$100m worth of holdterm in Persil in this field-The group claims to have cash liquidity of around \$900m.

Mr Gardini's ambitions are to increase his agricultural activities and sugar holdings in Europe. He would like to make use of cereal and sugar surpluses for industrial appli-cations, but feels that this will only be possible when he controls a large enough market share.

Perhaps the most striking aspect of Mr Gardini's

character is his boyish country charm, which often confuses his opponents in indus-try and finance. He has oeither the let-setting force of Mr Gianni Agnelli, Flat chairman, nor the market aggresison of Mr Carlo de Benedetti. He was born and has lived and worked in Ravenna for all of his life and clearly enjoys being one of Italy's most important entrepreneurs—in the coun-

Alan Friedman



ZANUSSI

MEDIOBANCA

BI-INVEST

35-40%

ELECTROLUX

GENERALI

MONTEOISON

MESSAGGER

was that it proved that

Halians could make use of standard Wall St techniques

to challenge the old private

family has responded to threats from newcomers by

threats from newcomers by strengthening its position in key areas. It has installed Mr. Cesare Romiti, Flat managing director, as chairman of Gemina, a sueli company which used to be Montedison's biggest shareholder and is now an investment house. Gemina is the vehicle which was used to take majority control last year of the Rizzoli-Corriere della Sera publishing group.

One of the most interesting

One of the most interesting

the of the most interesting developments is the way in which Italian companies have been making acquisitions outside Italy. Thus, the chart shows Fiat's stake in Westland in the UK, which is likely in rise from its present level of 7.7 not cent.

Mr de Benedetti recently took 19 per cent of Valeo, the French car components group. His 19 per cent stake gives him effective control of

Valeo, and he can also count

on the support of the Indosuez group, a shareholder of his Cofide holding company

7.1 per cent.

sector oligarchy.

Meanwhile, . the

MONDADORI

DE BENEDETTI

PIRELLI & CO.

PIRELLI

ITALMOBILIARE

50.4%

EUROMOBILIARE

G.I.M.

RIZZOLI- 59.26%
CORRIERE
DELLA SENA

# Profits return after the hard times

#### Private industry DAVID BARCHARD

THE PIRELLI skyscraper, at I27 metres high, Milan's tallest building, is a relic of the boom years of the 19ā0s and 60s. symbolising the prosperity of Italy's business capital. But in the 1970s the Pirelli Group fell on hard times and was obliged to sell the building to regional

However. Pirelli is now vying with most of the other major Italian corporations for the title of the group which bas made the most striking turnaround. Earlier this month it announced profits of L101bn (f45m) for 1985, up 40 per cent on 1984 despite the fact that it has to earn its living in the starmant and cut-throat international tyre industry.

The signs of strength are unmistakable: record profits. a stock market at an all-time peak; relative industrial peace; and takeover operations in

In 1984 and 1985 there was an average rise of profitability in the Italian private sector of between 30 and 35 per cent. dison had a workforce of Even Montedison, the chemicals 100,000. By 1985 it was down group which is Italy's second largest private group, moved firmly into the black after 11

growth. Industrial production in Italy rose by 1,3 per cent in 1985 compared with 2.4 per cent in 1984. According to the subsidised lav-offs at 80 per private-sector employers confederation Confindustria, at the ber of the unemployed, includend of 1984 Italian manufactur-

"production capacity has actually dropped despite new investments. But the necessity is to maintain the competitiveness of Italian industry rather than to expand output."

With most Italians engaged in second jobs, often in the subvestments. But the necessity for redundant workers is not necessarily gloomy.

A worker on Cassa Integration of the necessarily gloomy. than to expand output

wait for interest rates to fall around 15 to 16 per cent on occasion hat it had to offer key pruned its net financial charges from 14.7 per cent in 1983 to medium-term funds, about five maintenance workers double from II per cent of sales in 8.6 per cent last year.

or six points above inflation. Business is not complaining. have seldom looked In 1980, for example. Italy's largest private sector group Fiat made a loss of £240bn. By 1984 however the group, blazing the trail for industry's recovery, had made net profits of £627bn and last year exceeded L1.000bn.

The story of Montedison is even more striking. The 1985 profit of L100bn has to he seen against 1982 losses of L859bn. Elsewhere the story is much the same. Even Zanussi, one of the remaining loss-makers now undergoing reorganisation after its 1984 take-over by Electrolux of Sweden, moved from losses of L125.9bn in 1984 to around

#### Accept

How has the turnaround been achieved? The single most im-portant element seems to be the waning of militant trade union power after the confrontation in 1980 between Fiat Auto and its workers, Since then, unions have mostly gone along with the reforms, apparently accepting that some sacrifices have to be made to guarantee long-term

In 1979 for example, Monteto 60,000. "There was no resistance" says Mr Howard Harris, the American executive on Montedison's board of manage-Montedison's board of management with responsibility for strategy "because we were in such disastrous shape in 1982 that any change would be for rather than simple economic growth. Industrial production

cent of normal salary. The num ing those in Cassa Integrazione ing output was 4 per cent below has risen only from 10.6 per the 1980 level and 10 per cent cent in 1982 to 12.3 per cent helow the peak of the last business cycle in the 1970s.

In this thick the last and the state of the last business cycle in the 1970s. "In some respects," says Dr ing some of the redundancies.
Enzo Cipolletta of Confindustria With most Italians engaged

Growth will probably bave to boost his income well above what it would normally be. Monbelow their present level of tedison found in fact on one

salaries to stop them joining the queue for lay-off.

Along with reductions in the labour force came reduced labour costs, with the pruning of Italy's scala mobile system of wage indexation, a process that private industry would like to see taken further.

At Fiat, the reduction in the workforce was swiftly followed by investment in automation and the use of robots. The rest of private industry has followed. Zanussi is spending \$160m over three years to streamline investment and introduce new tech-

Before new investments could be made, bowever, corporations and find access to new sources

of finance.
At Fiat, a capital increase and better profits were used in 1984 to prune the group's debt by a quarter, bringing it down to below L3,000bn. A three year

below L3,000bn. A three year investment programme of L8,000bn was then launched, 75 per cent of it financed from improved cash flow.

Montedison, which Mr Harris says is "still 100 bighly geared" cut its debts from L5,000bn in 1981 to around L4,000bn by the and of last year, but along "the end of last year, but plans aggressive programme" raising equity on the markets to bring it down still further.

#### Strategy

Montedison bas in fact been pursuing a careful strategy to improve its trading position since its crisis in 1982. Major points include the divesting of unprofitable plant, the selling off of some ventures the raise cash, the development of "cash cows" (such as Vega, the group's offshore oil venture) and the careful cultivation of international alliances and joint ventures.

The group bas also been in the forefront of Italian corporations taking advantage of the new vitality of the Milan stock exchange and money markets. In 1982 Montedison began with

In 1985 it followed with a L142.3bn bond Issue convertible into equity, while Erbamont, its health service sector subsidiary, bas bad a \$100m rights issue, Through these and similar moves, Montedison bas

198I to around 6 per cent last Another benign influence has year.

Another benign influence has been the falling cost of nil on Similarly at Olivetti, Mr Carlo De Benedetti has Carlo trimmed total debt to around a sixth of the group's L1,958bn

FALCK STEEL

equity base. Industrialists have found their financial operations eased by some extraneous developments. Stock exchange legislation passed in 1974 and the subsequent legalisation of unit trusts helped prepare way for renaissance of Milan stock exchange in the

OLIVETTI

INSURANCE

LIGRE5TI

The Italian investor, traditionally distrustful of stock market, has learned that through unit trusts he can reap good returns safely. The steady downward trend of inflation. thanks to the Craxi Government's policies, has also helped. Italian inflation has fallen

international markets since 1982, though initially this was offset by the rise in the US dollar,

More striking however is the emergence of a new generation of internationallyminded managers, not only interested in export markets but also in striking complemen-tary deals and alliances with foreign firms to gain access to new markets or technology.

A typical example is Montedison's joint venture with Hercules, the US pharma-ceutical group. "We had the technology and Europe," Mr Harris explains, "They had the marketing and North America."

#### Near-marriage

Similar match-making around the same time (1983) brought together Olivetti's nffice equip-ment capacity and AT and T, the US telecommunications group, which acquired a 25 per cent stake in Olivetti's stock There was also very nearly a marriage betweeh Fiat Auto and Ford Europe. That deal never happened but Italian businessmen would not be surprised if Fiat eventually tries again for an alliance with another international motor

year Olivetti broke further new ground when it negotiated a reciprocal marketing agreement with Toshiba of Japan for the two companies to assist each other in the European and Asla markets. Internationalism is not new

to the major Italian corpora-tions. Pirelli for example bas always bad a Swiss Joint-venture parent company, and has 165 plants in 16 countries. But these are mostly wholly-owned subsidiaries. It is the shift to alliances which is new.

#### Imply

Montedison even goes so far as to describe itself as a "global corporation," implying that in contrast to the familiar multi-national simply fnreign countries with new sub sidiaries, it relies on co-operative ventures and alliances for access to new markets.

access to new markets.

New financing and management bave brought into tow some experiences which the Italian business world seems to find distasteful. Last year, it was scandalised when Montedison bought a 37 per cent stake in the BI-Invest financial conglumerate, through a "stock market raider," Mr Francesco Micheli, enabling it to wrest control of the group from the Bonomi family. from the Bonomi family.

This might seem normal nn
Wall Street, but it sends
shudders through long-established industrial empires in which control rests on a web
of alliances surrounding
minority boldings and making
eash poor corporations potenti-

ally exposed to take-overs. So far-as if the prove that So lar—as it in prove that Italian corporations are suddenly casb rich, the take-overs have mostly been outside Rally, such as the acquisiting by Feruzzi of full control of Beghin Say in France and its bid earlier this month for British Sugar, nr Olivett's purchase of a key stake of 19.4 per cent in the French motor components group Valeo for FFr 500m on February 20 this

Awareness of the fragility of their position in world markets still pervades Italian corporations who know they must use their wits to survive.

"It is something new for us Italians," says a Milan busin-nessman, "to be accused of turning France into a banana republic through takeovers."

There is, bowever, a certain satisfaction that the restructuring exercises of the early 1980s have placed the hig Italian corporations on the crest of a wave

#### The rise of new entrepreneurs

FIAT

THE LARGE private sector industrial and financial com-panies in Italy are controlled by a very small number of families and individuals, as this simplified chart shows. The past year has seen several significant changes in owner-ship, however, and the extraordinary growth of the Milan Bourse has paved the way for a new style of Italian capitalism in which the old nligarchy is beginning to break down.

BEGHIN-SAY

The network of private

LA STAMPA

FERRUZZI

sector power

LA RINASCENTE

AGNELLI FAMILY 50.314

**GEMINA** 

BASTOGE

FRANCO TOSI

IL TEMPO

L'ESPRESSO

The Agnelli family, which controls the Fiat group, re-mains one of the most important centres of power. The Agnelli family has been able Agnelli family has been able to exercise its power in part through its ties to Mediobanca, the Milan merchant bank which, despite being majority-owned by the IRI state holding group, has for the past 40 years served the interests of a small private.

One banker at Medinbanca, Or Enrico Cuceta, has mitil recently been the lincipla of this power, having con-structed a spider's web of industrial crossholdings, Dr Cuccia, however, is 78 and was last autumn forced to be-come a Mediobauca representative for Lazards, the mer-chant banking group which is a minority shareholder. This occurred when IRI tried to oust him from Mediobanca.

The rise of entrepreneurs such as Mr Carln de Benedetti has posed a genuine challenge to the old barons of Italian capitalism. Using Wall Street techniques, Mr de Benedetti and others have succeeded in shaking up the old power structure and this,

in the process, has led to the creation of new empires. One of the most important developments in months has been the forma-tion of an alliance (by means

of shareholding swaps) between Mr de Benedetti and the Pirelli group.
Another rising industrial force is the Ferrazzi agri-business concern, which appears in the chart for the first time this year. Ferruzzi, despite having annual turn-over of US\$6.5bn and being Italy's third largest private sector company after Flat and Montedison, has only recently inveiled the extent.

of its activities. On a lesser scale, Salvatore Ligresti, a Sicilian property developer, who has taken strategic shareholdings in Pirelli, Montedison and entrepreneur who has only recently chosen to reveal his holdings. His equity stakes are controlled via Sal, the third largest Italian insurer, which he controls.

By far the most revolu-tionary development in Italian finance last year was the success of Montedison, the leading chemicals group, the Bi-Invest industrial and financial group. Mr Mario

Mr Mario Schimberni, Montedisnu chairman, incurred the wrath of the Aguelli family by taking over Bi-Invest, which had been controlled by the Bonomi family, an ally of the Aguellis. The significance of the Montedison - Bi - Invest deal

holder Ferzuzzi has recently noider retruzh nas recenty
taken effective coutrol of
Beghin-Say, the French sugar
company and at the time of
writing was haping to acquire
British Sugar in the UK.
These activities would have
been unfulnkable a few years agn and are testimony to the growing stature of Italian finance and industry

Alan Friedman

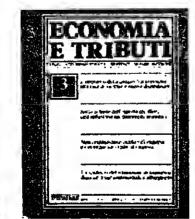
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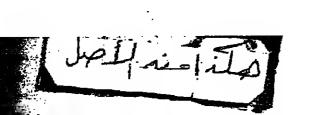
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#### ITALY 7

# Battling to reduce losses

#### State industry DAVID BARCHARD

Pril 7 1986

ELECTRICECTE

File Tales

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15 NATIONS

AREA OF

ITALY'S STATE Industry is ITALY'S STATE industry is doing its best to follow the steps the country's private sector has taken towards recovery in the last three years. But the shackles imposed by the politicians prevent the state-owned industrial corporations from travelling as far or as fast. travelling as far or as fast. Much depends on two men: Professor Romano Prodi (45) the chairman of IRI (Istituto per la Ricostruzione Indus-triale) and Professor Franco

L806bn.
With few exceptions (the over. most obvious one being Fiet's engineering and antomobile activities) almost all Italian heavy industry belongs to the state and is controlled through public authorities known as enti. Of these, IRI and ENI are overwhelmingly the most important.

important.

Lesser enti include EFIM
(Ente Participazione e Finanziamento Industrie Manifatturiere) which handles some manufac-turing industry and EAGC, a state film corporation. All are responsible to the Ministry of State Participations, a relatively

weak body despite the reliance of the enti on public money. IRI was set up in 1933, essen-IRI was set up in 1933, essentially to preserve companies and industries which would otherwise not have survived. ENI was founded in 1953 to safeguard Italian national interests in the supply of petroleum and natural gas.

Even these pragmatic begin-From these pragmatic begin-nings have sprung two huge and multifarious conglomerates whose subsidiaries include many world-famous brand

4 per cent of Italy's employment and aim at profits, though as and value added, as well as 6 Professor Carlo Mario Guerci, per cent of fixed investment and a Milan university professor who 30 per cent of industry's R & D advises Enichem points out spending. Activities range from "the sense of the word profit banking (IRI controls the Banca to Commercials Activities and Commercials and Commercial and Commercials and Commercials and Commercials and Commercial and Commerciale Italiana, the Cre-dito Italiano, Banco di Roma and the Banco di Santo Spiriti -in all about 17 per cent of domestic market banking operations and 14 per cent of Italian deposits) to the loss-making steel industry, controlled by a

"sector head holding company" called Finsider which produces called Finsider which produces 100 per cent of Italian pig iron and 55 per cent of steel, to 60 per cent of the electro-mechanical industry, 70 per cent of shipbuilding (another loss-maker), 45 per cent of the Italian motorway network, virtually the entire telephone network, all air transport (through Alitalia, the national airline) and the State Broadcasting system, RAI.

ENI. which tends to be a

per la Ricostruzione Industriale) and Professor Franco
Revigiio (51) chairman of ENI
(Ente Nazionale idrocarburi).

In mid-March both these men
were cerrying on with the jobs
although their three-year terms
of office had expired and there
was no indication of when they
would be reappointed.

Since their appointment in
1982 and early 1983, the two
men have battled to bring down
the kossas of their groups, losses
which totalled L6.2 trillion
(million million) (£2.78bn) in
1983 and 15.7bn in 1984. IRI
continues to make an overall
loss. L1.55 trillion last year of
which L1.35 trillion came
from its steel operations. ENI
however crossed the frontier
into profitability in 1985 for the
first time for five years, making
L806bn.

With few exceptions (the bons as its name suggests. The flagship of the group is AGIP, its oil subsidiary which in 1984 had sales of L34,736bn—about three-quarters of ENI's turn-

But ENI also has a chemicals division, Enichem, a textiles division, Lanerossi, some mining interests in zinc and lead—all of these make losses—as well as highly successful engineering and mechanical manufacturing sectors which include such in-

#### Unprofitable

Given the original motive for

Given the original motive for setting up the groups, it is not surprising that over the years Italian governments have continued to use them to bail out alling industries.

The problem is that some of Italian state industry reflects misguided investor decisions and is inherently unprofitable. This may well be true of quite a lot of ENT's refining operations. It is certainly true of the loss-making zinc and lead operations which were foisted on IRI and ENI in the early 1980s.

a Milan university professor who advises Enichem points out "the sense of the word profit may not be quite the same as it is for private industry."

In the past, ENI and IRI both deliberately skewed their investment plans to encourage the growth of heavy industry in the backward south of the country. Finsider, for example, started a 2.8m tons integrated steel mill at Taranto and ENI has at Taranto and ENI has similarly tried to build its refineries and power plants in

refineries and power plants in the south.

Latterly, knower, the emphasis on the south in the development plant of both groups seems to have been scaled down.

These constraints—and the compention between political parties for managerial posts inside the groups—have made it much harder for Mr Prodi and Mr Revigilo to make the radical cuts in the size of the workforce which helped private sector corporations back into profit after 1982.

Mr Prodi has reduced IRI's size from 550,000 workers three years ago to around 490,000. Overall, according to CEEP, a ginger group which monitors the performance of the entity public sector employment dropped by 18 per cent between 1975 and 1984, compared with a fall of 28 per cent in the private sector.

A more fruitful stratery has

sector.

sector.

A more fruitful strategy has been simply to rationalise organisation and production. In ENL Mr Reviglio managed to cut losses 16-fold in a single year before finally moving into the black in 1985. He achieved this not so moch with labour cuts as with changes in strategy such as avoiding long term oil supply contracts. rationalising supply contracts, rationalising ENTs chemicals operations, and restructuring the group's L18.000bn debt to reduce foreign exchange losses.

There have been pressures working in the opposite direcworking in the opposite direction. To some extent, Italy's latest private sector recovery— as in the past—has been achieved at the expense of the state sector. Fiat's recovery was small banking subsidiaries. state sector. Flat's recovery was helped by selling its loss-making Teksid steel division to

Montedison, the chemicals PVC and high- and low-density polyethanel to Enichem.

under Mr Craxi have given Mr Prodi and Mr Reviglio a steady tenure in office which contrast with ENI's unhappy years between 1979 and 1983 when it had five short-lived and mostly

nad nve substance and mostly reluctant chairmen.

Management has clearly improved. IRI now boasts men like Mr Giovanni Bisagnani, its US trained exports director who holds a degree from the Harvard Business School and worked in New York with First National City Bank for two years, or Mr Pasquale Pistorio, bead of SGS. Its electronic components maker, who worked in Texas for 17 years with Motorola. or Mr Giuseppe Tramontana who is trying to steer Alfa-Romeo back into the black.

#### Conglomerates

Italy's state capitalism, at its htary's state capitalism, at its best, is quite unlike the lumbering nationalised industries favoured by socialists elsewhere. Its quality is shown by its ability to compete in world markets. In 1985, for instance, IRI exported over \$75n worth of goods and services.

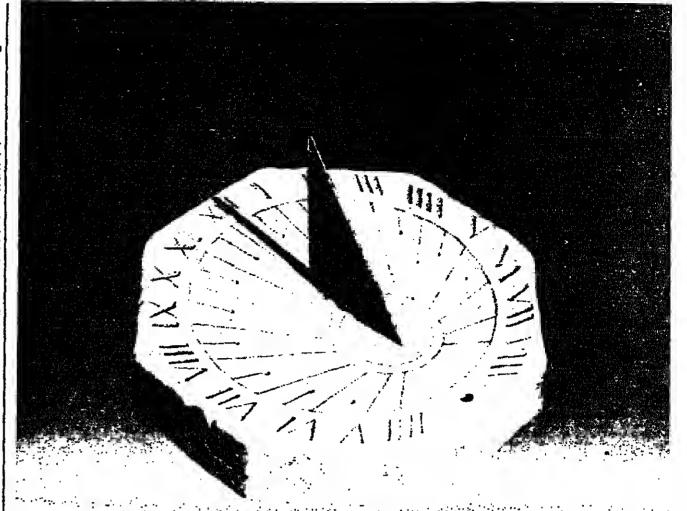
Though IRI is developing markets in the Far East, especially China, its biggest single market is the US and half its exports go to the advanced industrial accordance in the US. dustrial economies of the West

Both conglomerates may look as if they are just one step away from the private sector, but Italy's politicians are unlikely ever to let go of them, citing such arguments as the strategic role of the ENL Some privatisation has however been attempted.

Last year Mr Reviglio put 49 per cent of ENI's pipeline cor-poration Salpem on sale in the stock markets with a part actually being quoted on the

Politics—in the form of behind the scenes opposition from Mr Craxi and the Socialists -blocked the outright sale of SME, IRI's foods subsidiary, to Mr Carlo de Benedetti and the group, seems to have got the best of a rationalisation bargain in thermal plastics which left it with propylene and polystyrene and abandoned the petroleum-related production of appears to have been stalled. Most observers agree that in the last three years IRI and whose subsidiaries include 1980s.

IRI contains some 1,078 companies and accounts for about respect free market principles of political stability in Italy most some and stability persists.



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# Benefits from fall in oil prices

#### Energy DAYID LANE

CHANCE HAS come to the rescue of Italy's energy managers. The slump in the price of crude oil is a fortuitous slice of good fortune.

A failure to get to grips with the problem of energy diversification during the past decade looks like being compensated by the economic effects of an increase in the availability of crude from non-Opec members, by the increasing impact of energy-saving measures, and by differences among members of the Opec cartel.

As the European country most heavily dependent on oil, Italy suffered more than the others from the two oil shocks. and is set to gain the greatest benefit from the drop in prices. Feliciano Adami, a member of the executive board of the state hydrocarbons holding corporation ENI, recently put forward what he described as

forward what he described as a prudent hypothesis. With the lire at 1,600 to the US dollar and crude oil costing \$24 a barrel, Italy's energy bill will be cut by L10,000bn, falling to L30,000bn compared with L40,000bn in 1985.

Last year Italy consumed 85m tonnes of oil, putting oil's share of total national energy requirements at 58 per cent. While this ments at 58 per cent. While this compares favourably with an oil-dependency greater than 70 per cent during the 1970s, and 64 per cent just two years ago, it remains a position of vulnerability which worries the energy planners.

Indeed the revised national

Indeed the revised national energy plan, which received parliamentary approval at the end of last year, renews emphasis on the need to diversify energy sources.
Fundamentally, this means
generating more electricity with coal and nuclear power, and less from conventional oil-fired

notwithstanding the exhortations from planners and politicians, the state electricity corporation ENEL, which is

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nsible for over 80 of total national electricity production, has encountered con-siderable difficulty in getting its

off the ground. Firm opposition from local communities, based on environ-mental arguments and the fact that power station investment provides little increase in longterm employment, has generally put a brake on progress in siting decisions. Italians are reinctant to have power stations near

coal and nuclear programmes

contribution which nuclear power makes to ENEL's production is tiny, 7bn kwh of last year's 169.3bn kwh. Moreover, it will continue at this low level until 1989 when the first unit of the 2 x 1,000 Mw station at Montalto di Castro, 70 miles north of Rome, is due to enter service. It is a reflection of the energy planners' mability to translate their words into action that this is the only station under construc-tion from 1975's ambitious pro-gramme for 20,000 Mw of

nuclear power. However. forward was taken at the beginning of 1985 when the decision was finally reached on the site for the next nuclear station. Purchasing orders were made for plant for Trino Vercellese, in Piedmont, in the autumn and work to prepare the site

has now begun.

But little progress has been made in deciding where a new station should be built in

Last year nuclear's share of total energy consumption of about 145m tonnes of oil equivalent (Mice) was 1 per cent Under the revised national cent. Under the revised national energy plan, nuclear power is expected to cover between 7 expected to cover between 7 and 9 Mtoe in forecast total netional demand between 163 and 177 Mtoe in 1995.

"It is very small, yet even this minimal nuclear programme is contested locally," Giuseppe Ammassari, senior energy executive at the Min-

energy executive at the Min-istry of Industry, told a recent Rome conference on fication for the 1990s.

Italy's energy consumption

5	(Unit: 1973	MTOE) 1980	1985	1990	1995
Solid fuels	10.2	12.5	15,3	19.2	24.6
Natural gas		22.8	27.2	31.8	35.5
<ul> <li>Primary electrici</li> </ul>	ty 10.0	12.9	17.5	20.8	25.8
t Oil		98.8	85.0	83.5	79.3
Renewable				0.3	1.0
TOTAL	139.8	147.0	145.0	155.6	166.2
Energy intensity	100.0	86.8	82.2	78.1	74.7
Source: Unione Petro	difera National En	rgy Plan			

change in the ratio of coal's price to that of oil has cast a shadow over coal's future "The price of coal has stuck at about \$45 per tonne cif on average, while the crude oil price per barrel has dropped considerably. In economic terms the convenience of coal has declined, while the prob-lems associated with its have environmental impact have increased," Mr Ammassari said.

#### Scaling down

Coal's share of traditional thermoelectric generation has increased significantly from 7.9 per cent of the 127.9bn kwh produced in 1979 to 19.4 per cent of last year's 131.7bn kwh, ENEL then hunt about

kwh, ENEL then hurst about 8.5m tonnes of coal in stations which have an aggregate capacity of 6410 Mw.

But further large strides seem unlikely in the near future. In fact, the revised national energy plan reveals a sharp scaling down of earlier forecast for coal consumption. forecasts for coal consumption

A target figure of 20m tonnes of coal-burn for electricity gen-cration will be reached only if three new coal-fired stations (re-presenting total capacity of 4440 Mw) are constructed for ENEL at Gioia Tauro in Calabria, Piombino on the Tuscan coast and Vado Ligure on the Ligurian riviera, as well as two others to be sited in Sicily and Friuli (2480 Mw); together with the conversion of existing off-fired plant at Pionhino (600 Mw).

Italy's electricity corporation has had its face saved by the success of the French nuclear programme which has produced surplus power for Italy to buy. This has helped to make power cuts in Italy e fading memory. Purchases from the other side of the Alps, across which transmission capacity is being increased have risen enor-

mously. Net imports more than doubled between 1983 and 1984, rising from 11.1bn kwh to 20.9bn kwh. In 1985 electricity purchases from abroad rose by a further 13 per cent to reach 23.6 kwh, thus covering 12.1 per cent of national demand.

cautiously about the prospects There has been no shortage for diversification into coal. The imports, despite the economic

convenience of buying rather

than producing. ENEL's significant recourse to natural gas is another contentious issue Last year the electricity corpor ation produced 24.4bn KWH from methane, burning about fon cubic metres (BCM) in the process. By comparison, the gas-burn for electricity was 3.2 BCM in 1983 and 1.8 BCM in Italy's apparently profligate

abundance of supply and slow take-up in demand. Long-term contracts with Algeria, Russia and Holland have secured supplies until well into the next century.

Imports last year amounted to 21 BCM, purchases from the Soviet Union and the Nether lands holding at around their 1984 levels of 7.6 and 4.6 BCM respectively. Flows through the Transmediterranean pipeline from Algeria have increased enormously: 2.2 BCM in 1983, 6.6 BCM in 1984, about 9 BCM in 1985 and 12.3 BCM forecast

for this year.
At the same time domestic reserves of natural gas have been increasing.

However the problem at the moment is that of selling available gas. The Trans-Mediterranean gas pipeline, running np the Italian peninsula to link the Algerian fields and the areas of high demand in northern Italy, Mezzogiorno.

Seen 25 a tool for southern development, gas has been the beneficiary of substantial in-vestment in distribution trunklines and local networks. Yet the south's share of netional household consumption is mar-ginal, just 0.7 BCM last year and forecast to rise next year to 1.0 BCM (less than 7 per cent of national household consump-

tion).
With natural gas no longer enjoying e price advantage over oil, it is difficult to see con-sumers switching energy sources, so this gas glut could continue. Natural gas, bowever, has already reached the target set in the first energy plan, and now covers 20 per cent of total



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Marmo di Sicilia

# Wide protests at overcrowding and lack of investment processes at the present widespreed concern over state education. All but over state education. All but over state education. All but over state education is severe selection process has been elegantly replaced by a been elegantly replaced by a built-open construction. But of the lack of gymnasiums, the unhealthy and insufficient class rooms and the lack of laboration in the secretary of Mr Bettino Crari's the lack of gymnasiums, the unhealthy and insufficient class rooms and the lack of laboration ministry's total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online the chiraction ministry is total annual budget of about 128,000bn left for online

Education JENNIFER GREGO

AT THE height of the student protest last November Mr Carlo de Benedetti, chairman of Olivetti, issued a dire warning speech to top indus-

"The truly critical resources today are no longer merely oil or raw materials, as It seemed or raw materials, as it seemed in the 1970s, but qualified personnel, technological know-how and entrepreneurial ability, which in theory are available to all countries," he said.

He went on to goint out that He went on to goint out that in Japan, the country which spends the highest proportion of its resources on technological education, the number of students reading engineering at university is 2.5 times the European average. Numbers in

West Germany together.

Investment in this field was essentiel, be said. The lack of a forward-looking and up-to-date

Sin education system was inhibiting Mr de Benedetti was echoing have

lower school (scuola elemen-tare) takes children from six to 11 years, middle school (scuola media) 11 to 14 years, end the upper school (scuola secondaria superiore) 14 to 18

Families contribute L80,000 (£36) in taxes, and a minimal fee for school dunches where available. Schools bours are normally 8.30 am to 1.30 pm.

"The number of lower schools offering full-time education is growing, as more mothers go out to work and this is beginning to stretch to middle school. Text books are free throughout the period of legally-required schooling, at present from age 5 to age 14, but a Bill is under discussion in the Senate which would raise the leaving age to 16 as from 1987-88. The National Statisti-cal Institute says that 56 per cent of students over 14 went on to further education last

Since the limit on the number of students per university ning the front pages of the norm, the theme was lifted in 1980, they main newspapers were devoted and in Florence teachers joined have become among the to students. Denigrators tried students in a protest against

enroll actually get their

Over-crowding is endemic, exacerbated this year by an in-crease of 4 per cent in the number of students compared with 1983-84. Italians usually spend three to four years at university getting their first degree, but some courses, such as medicine and architecture,

#### Demonstration

Last November thousands of high-school students marched through Rome to demonstrate for the right to study. This was one of the few portests in recent years that has had the support of the whole country, from the president of the re-public downwards.

The main political parties tried to make capital out of the marchers while television and newspaper coverage was almost excessive. For four days run-

turbances in which many of throughout It them took part in 1968. This forced into two was when university students' in the South. protests against rigidity and authoritariamsm had far-reach-

It took students a full year of sit-ins then to make the front since is since is

time it was a unanimous, diffuse and spontaneous protest, by a younger, less - sophisticated group who had learnt how to use the media.

The most obvious target of their protest was the lack of classrooms and the decaying school buildings. The situation is worst in the Sonth—in Bari, 1,000 more classrooms are needed and teaching is done on a rotation system. At the Agricultural College there, students complain of rats and blocked drains. blocked drains.

In Verona, in the prosperous

throughout Italy are being forced into two sittings, mainly

Miss Franca Falcucci, the Minister, lays the blame on the comune (local councils), which since 1976 have been responsible for construction and upkeep of schools. After the latest students' protest, the Treasury set aside 14,000bm for

The second of the students' complaints was directed towards what they considered the irrelavance of syllabuses to the job market, and to the lack of training in computer tech-nology. In northern cities such as Milan, where the protest started, but physical conditions are not so appalling, this may well be the chief motive. University students there also have the unsettling example of the efficient private Bocconi University, or business school. which boasts that it is imposs ible to find one of its graduates population.

to come into the schools, starting with the 14 to 16 age group. which the minister presented to parliament in the first week of March, should bring these computers as well. They should also change to a different teacher for each subject instead of the present all-purpose one. The problem is that no-one is willing to be committed about when this will

come into effect. Education and industry are beginning to talk to each other, and an ancouraging sign is the calling in of executives from Confindustria, the main employers' association, and Confindustria, the retailers association are commercial the retailers association. commercio, the retailers asso-ciation, to belp in the long-projected reform of npper schools. Miss Falcucci says one of Italy's problems is a surplus of teachers because of a large intake up to 1963, when there was a boom in the young school

#### Teacher surplus

The number of pupils in nurseries fell 2.4 per cent last year and lower school sizes have shrunk as the population has gone down. But there has been gone down. But there has seen an increase of 1.5 per cent in pupils staying on for the last two years of voluntary upper school, and in the number demanding full-time school. This has led to a surplus of teachers and buildings at the bottom end of the age-scale.

There is also a serious prob-lem of distribution of resources as the number of young papils

as the number of young pupils has gone down more dramatically in the inner-city areas.

The minister has suffered an unprecedented parliamentary vote of no-confidence over the teaching of religion — particularly opposed by the parents of nursery school pupils — which the 1984 Concordat between the state and the Vatican still requires.

system is clear if one considers that Traly suffers from a hureaucracy which makes even the obtaining of a passport a major test of patience and persistence.

Professor Paolo Sylos Labini, and Rome University, said earlier this month in the Rome daily La Repubblica, that it would be necessary to alter the Italian Constitution to bring in a

inemployed.

Italy suffers particularly hadly from youth unemploy
She has reintroduced stringent competitive selection prohadly from youth unemploycedures. But with about Mr Claudio Martelli, deputy voucher system.

hardly have been met without e

government crisis.

He also said parents should be given vouchers for the school of their choice, and most suprisingly for a member of the Left, that the educational system should be divided equally between the state and the private sector. Most Italian the private sector. Most Italian private schools are Catholic, and it would be incongruous for the state to contribute much to confessional schools. That Mr Martelli's voucher idea is impracticable and more con-cerned with provoking the minister than reforming the system is clear if one considers

Constitution to bring in a



### **RONCAGLIA OPR:** SPACE AGE TECHNOLOGY FOR GRAIN MILLING

stry to take into serious consideration the daunting economic implications of new plant - buildings, fuel transportation

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It is the only plant that does modelling for changes In flour specifications.

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# Rising criticisms from lawyers

Legal system

T. D. ERIKSON

ITALY'S JUDICIARY is under attack. It is being criticised for handing out heavy sentences to people convicted on the evidence of supergrasses, who, in return for their evidence, receive light sentences. There are outcries against the length of pre-trial detention, which may last up to five years. In the last three years two well-known prisoners awaiting trial were elected to Parliament as a citizens' protest. Lawyers are becoming increasingly un-

happy with the system. The present systems of criminal justice was intro-duced in 1930 under the Mussolini government. Since world war II it has been tinkered with, but never radically reformed. It is known as inquisitional " the "inquisitional" system, which is prevalent in various forms on the European continent and is completely different from tha "accusatorial," or ad-

concentrated in the hands of a special body of people: the career judiciary.

To become a member of the career judiciary a law graduate, who may be fresh from university, has to pass a competitive state exam. Then, after e year's "apprenticeship," he or she becomes a fully-empowered "judge," It is the judges who conduct criminal investivations collect aridence. investigations, collect evidence, present the case for the prosecution in court and hand down the verdict and the sentence.

the verdict and the sentence.
With very few exceptions, no
Italian judge has ever been a
lawyer, and there are no
"amateurs" equivalent to an
English Justice of the Peace.
A judging judge, therefore,
has the past experience of being
a prosecuting judge, but not that
of defending counsel.

Safeguarded

The independence of the judiciary from direct governjudiciary from direct government influence or control is solemnly safeguarded by the constitution, which says that judges are "subject only to the law." But they alone are empowered to give binding interpretations of the law. Each judge is answerable only to his own conscience for his judicial actions or errors. They are, as it were, a power unto themselves.

There are some 6,000 judges in lady, to administer justice to a nation of 56m, with a prison population of around 44,000, of whome 60-70 per cent are awaiting e definitive verdict.
When e crime is committed,

the "investigating-prosecuting" judge has to send a letter to the suspect(s), informing them they are under investigation. This letter may be accompanied by an arrest warrant. During the investigation, the suspect is questioned by this judge, in a secret hearing, at which only defending counsel may be pre-

written down, signed by the de-fendant and this material acquires the status of "prova" (a word which means both "proof" and "evidence"), i.e. the deposition may be considered subsequently by the court, for the purpose of reaching a verdict, even if the defendant

Witnesses are questioned in the same way, although without the presence of the defendant or his counsel. When the presecuting judge has finished his investigations, he usually hands
over to another judge ("gludice
istruttore") who studies the
findings and either commits the defendant to trial, or drops the

put up) is et the discretion of the investigating judges for most charges. On some charges, it is forbldden. After committal, a date for

be public hearing is fixed, which may be years ahead. And the public hearing may be pro-longed for more than a year. In 1983 a group of defendants charged with subversion and other crimes had waited five years and two months in prison before a verdict was reached. The actual court hearing is dominated by the presiding judge. In Courts of Assizes he is flanked by another profes-sional and six lay jury people,

chosen by lot. There is no independent jury with exclusive sovereignty over the verdict, as in England, although there used to be under rom tha "accusatorial," or ad "allough there is see to be sinder by versary system, practised in the Zanardelli code, abolished by Mussolini. This eight-person "panel" retires to consider powers, which in England are attributed to separate bodies— Athough each member has an anual write authoritative or inlending. the police, the legal profession equal vote, authoritative opinion

> The prosecution in court is conducted by another judge—a colleague of the judging judges. Defence is conducted by a lawyer. Counsel may not call witnesses nor ask them questions. They may only submit names of witnesses to the presiding judge, who decides which ones to call, and suggest questions, which the President may ignore replaced to the call. ignore, rephrase, or tell the witness to answer directly. The judges are expected to have read all the "papers" (some-times tens of thousands of pages) accumulated during the previous investigative phase of the trial-process.

> the trial-process.
>
> Before witnesses are called, the defendant is questioned by the judge. He is not under oath and is entitled to tell lies. He need not be present, providing steps have been taken to inform him. In this case, his pre-trial deposition may be used, as evidence over it he is the state. as evidence, even if he is supergrass, i.e. acting as prosecution witness.
> This situation occurred three

years ago when Professor Antonio Negri and others were convicted of masterminding the kidnap and murder of a young man. The main prosecution witness" was the convicted "witness" was the convicted perpetrator of this crime, who had been remitted 20 of the 27 years of his sentence as a reward for his "confessions."

He had also been given a passport—and failed to turn up in court. Yet his depositions, rendered in secret "istrutorla" fearings years previously ware hearings, years previously, were considered to be admissible evidence for the conviction.

Presentations After defendants and wit-

nesses have been heard, the prosecutor and defending counsel make their closing spec The court retires, judge and jury together, and comes back with verdict and sentence. Prosecution and defence can both make presentations to the Court of Appeal, and then on to seldom refused.

Various aspects of the system have given rise to heated con troversy in recent years: the use of supergrasses, as in the case mentioned for instance, and in the case of Mr Enzo Tortora the TV game show host convicted last year of being e Camorra boss (the Camorra is the Neapolitan version of the Mafia) on the testimony of several Camorra gangsters.

The law or supergrasses provides that "corroborating facts" must be produced. In this case the court decided that

UK and Italy is that in Britain year. Recently there was a they are cross-examined by the serious constitutional condict, defence and must convince the when the Supreme Council of

memos to the fudge.

Bail (usually without money put up) is et the discretion of another cause for dispute.

At indeement president indeement president in another cause for dispute.

At the length of pre-trial detention, with no public hearing, is could not. the height of the terrorist emergency, this could last for five years and four months, up to the verdict of first instance (10 years and eight months, up to

Cassation),
It has subsequently been reduced — Minister of Justice
Mino Martinazzoli was quite that terrorists and mailosi would be released upon the nation. There is a comprehensive return bill which Parliament has been trying to debate for more than 12 years, which would reduce it further to two

muttal-to-trial hearing.

Many judges complain that they could not possibly complete their investigations in so short a period.

Most lawyers are

been published, and Neapolitan in 1984.

sion is not taken in a public. The main difference between harristers concluded e two-hearing. All these proceedings the use of supergrasses in the month all-out strike earlier this are covered by a sort of official. UK and Italy is that in Britain year. Recently there was a They can and very often do defence and must convince the when the Supreme Council of take literally years, while the jury. In Italy, they are the Magistracy (two thirds of take literally years, while the jury. In Italy, they are the Magistracy (two thirds of take literally years, while the jury. In Italy, they are the Magistracy (two thirds of take literally years, while the purple of the property of the magistracy (two thirds of take literally years, while the purple of the magistracy (two thirds of take literally years, while the purple of the magistracy (two thirds of take literally years, while the purple of take literally years, while take literally years, whil judgement. They were told by President Cossign that they

> But Italy has had to face waves of political terrorism.
>
> Maña and other criminal
> activity on e scale greater than
> that of most other developed constries. Italy's 6,000 judges have had to bear most of the

Supporters of the system say that without the judges wide, de facto discretionary powers, they could not carry on the

Critics of the system claim that a monstrous Kafka-like mechanism now exists, whereby

they could not possibly complete their investigations in system is efficient. The success rates in estimate detection, light lawyers are very unfor crimes against property (the happy about the situation: hardest to detect) were 6.7 per white papers of protest have cent in 1983 and 7.4 per cent



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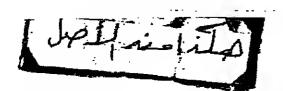


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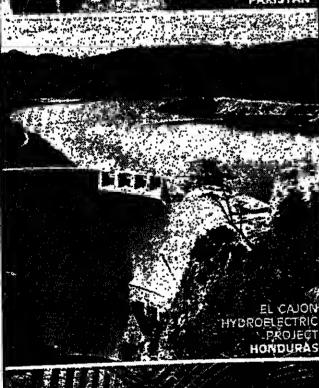
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# Modern industry stands beside the old ways

**Agriculture** DAVID BARCHARD

ITALY'S successful drive to industrialise has long relegated farming to a Cinderella status. Only about 7 per cent of GNP comes from agriculture and only 11 per cent of the workforce is in farming. This is high by the standards of the EEC, but it contrasts with 44 per cent in 1951 and 17 per cent in services are leav-

The general situation is much

The general situation is much less encouraging. The average fruit. Periumder 5 hectares and often split up into five or six plots.

The farm population is ageing and largely untrained, white the young tend to seek work in the towns. The result is iow output and poor quality in many areas. Italy receives about a third of EEC aid to the farm politic sector but produces only a fifth sector but produces only a fifth of the Community's agricultural

Italian consumers remain devoted to good food and drink, bowever, with 28 per cent consumer spending goes on these items—the highest proportion in the EEC. Families can spend 40 per cent of their income on food, buying only the best and freshest.

It is often not Italian food that they are buying, however. Last year, Italy bad a deficit of L12,000bn on its food trade. Self-sufficiency in most agri-

Self-sufficiency in most agricultural sectors runs at around 60 to 65 per cent.

Italy's allotted milk quota in the EEC is only 65 per cent of consumption. But in general, chronic mismanagement has to carry the blame for a deficit which comes second only to the country's energy bill. country's energy bill.

In addition to the uneconomic size of farm units, chief factors

responsible for this poor per-formance seem to be: formance seem to be:

Poor marketing and distribution facilities. Italian farmers, especially in the south, seem to be much less skilled at grading and packaging their produce e for sophisticated markets.

markets.

A lack of effective sectoral tion.

A lack of effective sectoral tion.

Farmers' minds are now institutions, Italy has three rival farmers' organisation, each concentrated on the effects of

only one or two branches, and libree rival federations of cooperatives. The good producers win few advantages over ing organisations and a much more aggressive approach to

Agriculture also has to con-tend with what is in many areas an adverse terrain. Areas of fertile plain, such as Apulia, are outnumbered by bill slopes. A good deal of farmland is margi-nal by EEC criteria and may

per cent in 1951 and 17 per cent
10 years ago. Italians are leaving the land.

The country's length, running
more or less north-south, gives
it a highly diversified agricultural profile. In the north
around Milan, farming is a
modern European industry. New
crops such as soya bean are
grown, viticulture is mechanised
and production is intensive and around Milan; farming is a modern European industry. New price to collect payment several times over for the same load of fruit, for example. There are grown, viticulture is mechanised and production is intensive and efficient. etween high and low-quality

> Periodic efforts at reform have been made. In November 1984, Mr Filippo Maria Paodolfi, 1984, Mr Filippo Maria Paodolin, the Minister for Agriculture, published a national plan for the sector, described by one foreign diptomat as "an outline for a framework for a plan." Its chief emphasis was predictably political—to stem the exodus from the land by preserving farm jobs. In practice nothing much happened.

Farmers are more preoccu-pied with the effects of the Common Agricultural Policy (CAP) on livestock and dairy produce, staging demonstra-tions against the European

Commission.

There has been a search for new crops suited to Italian conditions and also not already in surplus in the EEC. One sopeful candidate is soya bean largely imported from the US. In the three years to 1985, soya bean cuttivation rose from 3,000 hectares to 120,000 bectares. There are experiments in more exotic crops ments in more exotic crops such as the jojoba plant, grown for its oil, textile fibres and oil-seeds.

There has also been discussion of crops for ethanol production for fuel. Confagricoitura, the centrist farmers' union, wants to see experiments with sorghum, a sugar-rich ethanol producar, and opposes proposals put to the Commission in Brussels last year by Mr Raoul Gardini of Feruzi to use grain for ethanol produc-

fairly politicised, and some with sponsored members in parliament. There are about 600 revolutionary effects on Mediagricultural banks, many with only one or two branches, and libree rival federations of cooperatives. The good produces with federations of produces with federations of produces with federations of produces with federations of produces with federations are federated with federations and produces with federations are federated for the federations of produces with federations are federated for the federations are federated for the federations are federated for the federations of the federations are federated for the federations of the federations are federated for the federations are federated for the federations are federated for the federation for t

more aggressive approach to the markets in the north.

"If the Community is not careful we could have unsale-able surpluses in the Mediter-ranean sector," it says.

There is a note of bitterness because the Commission has criticised existing Mediterranean producers without taking practical steps to improve the situation.

Particular warries about

Spanish entry centre on wine, where Italian production is aiready 40 per ceot above consumption; citrus fruits, where the superiority of Spanish farmers is most glaring; and olive oil, for which demand is inelastic while Community out-

In spite of frequently voiced anxieties, few practical measures seem in have been suggested. But Halian farmers unte with even more alarm that the Community is also negotiating new preferential deals with countries in North Africa and the Middle East as part of attempts to forge links with markets in those regions.

There may he the seeds here of an alliance with Mediterof an alliance with Mediterranean producers in Spain—and to a jesser extent Portugal which, because of its much smaller size, the Italians do not are as much of a threat. This could win the Italians back some of their bargaining strength inside the Community as part of a Mediterranean thou which wilt also compete with northern farmsers for funds.

But the outlook for Italian But the outlook for Italian growers of tomatoes, peaches,

oranges, olives and grapes has darkened. The iogical answer would be for Italy to step np production not only of new crops but also of those in which it has a trade deficit, such as grains, feed-stuffs, and live products which make up 90 per cent of its food imports.

there the way is blocked by the need to conform to the CAP and the national quotas it imposes. So cutting exports is tentatively advocated by some farmers.

Another tree forward may be

Another way forward may be to develop specialised types of farming operation which allow farmers to branch into side-lines such as tourism. Under a new law, Italian farmers will soon be permitted to engage in "agritourism."



# Determined drive against criminal power

The Mafia ALAN FRIEDMAN

THE BATTLE in Italy against the power of the criminal organisation known as the Mafia has traditionally been a bopeless venture, but the past year has seen genuine progress. It was epitomised by the opening a few weeks ago in Palermo of the "maxi-trial of 468 alleged Mafia members including the Mafia members including the man said to be the actual leader of the organisation, another accused of being the finance director and bundreds of lesser Mafiosi including some of the alleged most ferocious killers employed in Sicily.

Not since the time of Musso-lini has the Italian state appeared as serious in its determination to attack the Cosa Nostra, a highly structured organisation which is estimated to enjoy annual revenues from its main heroin trade of as much as \$10bn. h as \$10bn.

Yet, the view of taxi drivers in Palermo or Milan is identical to the analysis of top anti-Maña magistrates and other courageous Italians who wish to stop the bloody organisation.
Unless the politicians who collaborate with the Mafia and receive votes and financial contributions from it are tackled In a court of law, then the issue will remain unresolved. The explosive issue of how the Maña works with local politicians in Sicily and even members of parliament in Rome has yet to

be truly addressed in Italy. of the organisation do not use

the term Mafia. They may call themselves Men of Honour which means that they are full which means that they are filli members and sworn to omerta or silence. The Maña—according to investigations by magistrates which bave been confirmed by informers such as Mr Tommaso Buscetta, the supergrass whose testimony figures beavily in the maxi-trial—is both sophisticated and rigidly structured.

At the top there is the Cupola or governing commission, 2 kind of board of godfathers who co-ordinate activities which range from extortion, kidnapping, rob-bery, cigarette smuggling and murder, to the main business, heroin.

Magistrates estimate that something like 60 per cent of the heroin sold on the east coast the heroin sold on the east coast of the US is either processed or brokered through Italy. An informal agreement between the Sicilian Mafia and its Napies-based cousin — the Camorra—divides the domestic Italian and international drug trade so that the Mafia's primary vocation is heroin and the Camorra's cocaine. the Camorra's cocaine.

Of the estimated 25,000 Mafia collaborators in the city of Palermo, a good number are engaged in one way or another in the heroin business.

in the heroin business.

Heroin as a principal source of Mafia revenue is a relatively recent phenomenon, going back perhaps only 10 or 15 years. The Mafia's historic roots go back to its influence as a substitute government in Sicily more than 100 years ago, protecting farmers and peasants from outside invaders.

Thus in an economically

Meanwhile, the Mafia Thus, in an economically remains, outside of Italy, an backward ragion such as Steily, organisation much misunder-the Mafia was seen as the disposal and wrapped in legend.

First of all the actual members patronage. This is in the best patronage. This is in the best patronage. tradition of Italian clientelism,

a system which is still pervasive in Italian politics.

Today, bowever, the Honour-able society has become a ver-tically and borizontally inte-grated multinational criminal corporation which uses ad-vanced banking technology and which functions with brutal effi-

ciency.
The wars between rival Mafia The wars between rival Mafia factions in recent years which left the city of Palermo with annual murder rates of 300 a year bave belped the Mafia in some ways. Magistrates expiain that the wars served as a kind of management restructuring, leaving the organisation leaner and fitter.

and fitter. Mr Leoluca Oriandn, the dewho is one of a small number of genuinely bonest anti-Maña politicians in Sicily, has said that the rise of the "heroin dollar" means that the Maña bas no time to waste-if politicians are not for sale they can be murnot for sale they can be mur-

Mr Orlando is taking real chances these days, cutting off city contracts which used to go to construction companies which

are alleg to be Maffa-run.

The list of "illustrious corpses" in Sicily has included judges, politicians, businessmen, journalists, senior police detec-tives and of course the single murder which so traumatised Italy in 1982 that it finally brought about a more serious campaign against the Mafia: this was the murder of General Carlo Alberto Dalla Chiesa. The special anti-Mafia high commissioner wbo was machine-gunned to death along with his young wife in Sentember, 1982.

General Dalla Chiesa's assassination according to the following the fo

nation, according to the 40-volume and 8,607 page indict-ment against 468 alleged

CONTINUED ON NEXT PAGE



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THE REGIONS: THE MEZZOGIORNO

BY DAVID LANE

# Economy continues to lag behind

THOUGH AUTOSTRADE and airports make Southern isolation a problem of the past, a land and West Germany, which land and West Germany, which land and West Germany, which national average, since 1973 the North-South san has been widen. "Mezzogiorno" — the south — from Italy's more European central and northern regions.

It is a hard fact of geography
that puts the south out on a
limb, with Sicily looking towards North Africa and Apulia
towards Greece and the Levent.
Neples mey lay claim to being
to passive the capital of the south, yet it is 499 km from Reggio Calabria in the toe, a distance not much less than from Milan to Rome.

The gap between north and south is not only spatial, how-ever. Notwithstanding massive efforts during the past 30 years, the economy in the "Mezzogiorno" lags way behind the

rest of the country.

The high level of unemployment registered in the south underlines the continuing reality of "two Italies." In the secood balf of last year the jobless in the south amounted to 15.1 per ceot of its workforce. compared with 8.4 per cent io the north. The island of Sicily currectly suffers an unemployment rate of 21 per cent, and in the city of Palermo there are some 40,000 young people look-

ing for work.
Former Prime Minister
Emilio Colombo is a native of Minister Basilicata and e noted "meri-dionalista." The instep region which Mr Colombo has repre-sented in parliament for nearly 40 yeers is one of the poorest areas of the country.

areas or the country.

In describing the employment situation in the south as extremely difficult, Mr Colombo underlines the bleak fects shown in official lahour statistics: "The economic recession of the early 1980s hit the weakest arees hardest," he says.
"Moreover, the forecasts for
the future point to unemployment cootinue to be concen-trated in the South."

Indeed, while the problem of unemployment has eased in northern Itely, down from 8.4 per cent in 1984 to 8.3 per cent on average last yeer, and remeined constant in the centre et 9.4 per cent, there has been a distinct worsening moved the vin the south. The 15.1 per cent lic service, level of jobless recorded in the Developme second half of last year was missed targets of creating jobs significantly higher than the previous year's 14 per cent ever. Per capita output in the

southern unemployment can be resolved hy new flows of mass migration. Lack of opportunibetter than in 1951, when the sate for disadvantages.

real distance still separates the absorbed waves of southern North-South gap has been "Mezzogiorno" — the south — Italiens during the 1950s and from Italy's more European 1960s, has, in any case, removed Disappointments and o

the safety valve of emigretion. Yet safety valve suggests the presence of social tensions which are not strongly evident in a "Mezzogiorno" more accustomed over the centuries to passive acceptance of edver-sity, rather than active resis-

"Se Dio vuole" is an oftenuttered southern response.
Fatalism, religion and the strength of family ties in Southern society help to explain the absence of violent reaction to the lack of opportunities in

"The family unit is important. Young people, particu-larly those in country areas, find support within the family when they are looking for work," says Mr Colombo, des-cribing bow the problem of unemployment is alleviated.

#### Firm advocate

He certainly does not suggest, bowever, that parental assistance should take the place of policy aimed at creating jobs in the South. Since bis arrival in national politics in the lete 1940s, Mr Colombo has been a firm advocate of special intervention directed at bringing the poor and industrially backward "Mezzogiorno" into

line with the rest of Italy. Much was achieved during the 1950s and 1960s in creeting a sound infrastructure of public works. The depressed condi-tions which shocked Alcide De Gasperi, Italy's first post-war Christian Democrat Prime Minister, when he visited the south and prompted the deci-sion to establish a fund for southern development, have been eliminated.

The construction of a good road network, reservoirs and equeducts, schools, hospitals, houses and electrification schemes has eased the difficulties of communication and removed the worst defects of pub-Development

ever. Per capita output in the South was Jire 6.2m in 1983, 70

North-South gap has been widen-

Disappointments and outright disasters decorate the industrial Despita considerable amounts of Despita considerable amounts of state aid to industry, in capital grants and soft loens, improvements have proved illusive. That success is not entirely absent can be seen along the Adriatic coast from Pescara down to Bari and in pockets of achievement in towns like achievement in towns like Frosinone, Latina and Pomezia not far south of Rome.

But more often failures make the news. Tha buge petro-chemicals complexes in Sardinia chemicals complexes in Sardinia and Sicily. (which would be called "white elephants" in process in Italy earn the description label of "cathedrals in the South, legislation was recently passed to encourage young people to encourage young people to establish and run co-operative venures. But according to Emilio Colombo, the new law is only of marginal value and its impact will be slight in dealing with the enormous problem of youth unemployment.

Motor vehicle manufacturer

Motor vehicle manufacturer Alfa Romeo created a large number of new jobs in the south, but its factory at Pomigliano d'Arco, near Naples, produced losses rather than profits and suffered a long period of notoriety after production started in the early 1970s.

The distribution of jobs on

Allocated

cated for expenditure over the next nine years.

Basilicata's most eminent politician is an active defender of the Cassa peri Mezzogiorno. This central fund for Southern deve-

lopment was set up in 1951 and spent nearly L100,000bn on infrastructure works and in

encouraging industry and tourism before being placed in liquidation, perhaps as much by default as by design, in August 1984.

achieving economic progress in the south, in public works, industry and agriculture," he

Mr Colombo recognises that

there may have heen some

errors of operation and empha-sis and that changes might have

heen useful at the now-defunct Cassa per il Mezzogiorno, But

he is critical of the legislative limbo in which the South remained for nearly ten years,

with short-term renewals of the Cassa and now a vacuum until a

new law at some stage receives parliamentary approval.

With the intention now that he allocated through

It was an effective motor for

The distribution of jobs on the basis of connections with the "Camorra"—tha local version of the Mafia-or political recommendation was an invitation to absenteeism and low produc-tivity. The impression that Alfa Romeo's parent, the state bolding corporation IRI, appears to have given up hope for the south is perhaps not surprising. The corporate plan which IRI published last year reveals a substantial reduction in the south's share of its new investment,

The Governor of the Bank of Italy, Carlo Azeglio Ciampi, is a supporter of southern develop-ment. However, even Dr Ciampi admits that new initiatives and the creation of jobs are discouraged by productivity which is lower in the south than elsewhere in Italy. The task of overcoming a non-industrial mentality often proves too greet ever, that the problem of southern unemployment can be resolved by new flows of mass

Lending by hanks is another regional authorities, Mr Colombo aspect which points to the foresees both a slowdown in the existence of two Italies. In the allocation and large variation "Mezzogiorno," whose indus-trialisation has been a widely-declared aim for more than 30 from region to region. While he underlines the need

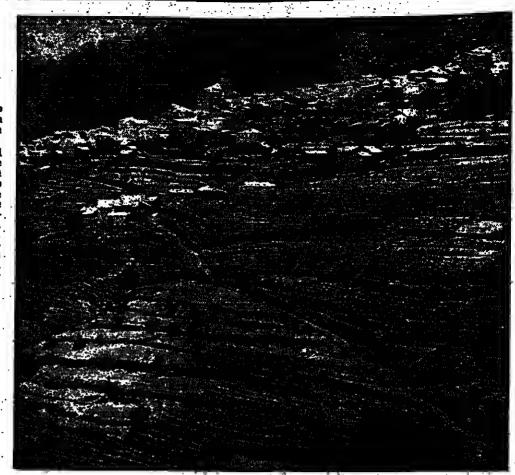
to renew efforts to close the economic gap between north and south, Emilio Colombo takes care to emphasise the years, manufacturing industry took 40.5 per cent of lending in 1984, against 46.8 per cent in Italy overall. improvement in public service and the narrowing of the cul-tural gap which has occurred. "The advances made in bealth Analyses by the Bank of Italy show that the share of credit taken by manufacturing indus-try in the "Mezzogiorno" has and education have been enor-mous. The influence of the mass declined significantly. Ten years ago # amounted to 55.1 per cent of overall lending in the south. Moreover, the beneficiaries are traditional industrial

media has created a common culture of clothes and be-haviour, though Southern custom continues to encourage time sectors, the structure of credit for human courtesies," he says. Fifty years ago the painter reflecting the small number of medium-sided manufacturing companies in the south operat-ing in mainstream or advanced and writer Carlo Levi was sent into political confinement by fascist authorities to the small mountain village of Aliano in Basilicata. He recorded his experiences, a massive cultural

sbock for an educated Turinese, in his book, "Christ Stopped et Eboli."

The widespread illiteracy found by Levi bas fortunately since disappeared, and mountain villagers do not now die of typhoid, cholera and malaria. And crucially, the isolation of the "Mezzogiorni," the feeling

of existing way beyond the margin, bas been largely eliminated. Mr Colombo also bas doubts about the effectiveness of new funding for the south, the L120,000bn which has been allo-



Hillsida cultivation proves difficult in mountainous terrain. Below: a small boy has the task of tending sheep on a block hillside in the Mezzogiorno



# Criminal power

CONTINUED FROM PAGE 9

mimerous conversations with judges, politicians and others in Palermo It Is stressed however, that It is hard to imagine General Dalla Chiesa's murder having been carried out without et least the tacit consent of some politicians in

Many politicians in Sicily were indeed hostile to General Dalla Chiesa and with good reason. In just a few months reason. In just a rew monus as high commissioner he hegan to come "too close" to the truth. He spoke in public of ties between the Mana and poli-

He discused construction husinesses which embezzled state funds from regional and city contracts. He began to mova against the Maña, but he was isolated, lonely and without the resources which Rome had pro-

He did not have sufficient hacking from Rome, either in terms of police manpower or in terms of the extraordinary powers to seize Mafia assets, bank accounts and tap telephone

#### Approved

After his murder, special laws were finally approved by Rome to give investigating magistrates and police wide powers. In the past three years many bank accounts in Switzerland and accounts have been defeated in its challenge to the anthority of the past three years many bank accounts in Switzerland and accounts have selected. elsewhere bave been seized—
one current account at Credito
Svizzero in Lugano, for example,
sory." one current account at creates Svizzero in Lugano, for example, contained \$553m of funds allegedly transferred from the US to Mr Tommaso Spadaro, who is now on trial as an alleged beroin trader and Mafia

The arrest a few weeks ago of Mr Greco, the alleged "boss of bosses" is a real blow to tha Maña, althouh senior Maña leaders bave succeeded in the

trates say the damage cen be compared to that inflicted on a multinational corporation whose annual revenues have diminished, perhaps by 30 or 40 largest private sector con-

The revelations of Mafiositurned-informers have helped will implicate the more relevant the state to understand in great senior politicians who are bedetail how the Mafia functions, lieved to profit in their careers have it does have been at the careers are the caree how it does husiness with the from the belp of this deadly Mafia in the US, and how it organisation.

uses politicians. Thus the arrest last year of an ex-mayor Mafiosi now standing trial, was of Palermo alleged to be a ordered by Mr Michele Greco, Mafia member. There is great the godfather known as "the fascination with the so-called terzo livello or third level reference to politicians who aid the Maila.

In reality, this is a rather typically Italian concept over-simplified, exaggerated and con-spiratorial. Politicians do not "pull the strings" to make the Mañia act. Instead, according to magistrates, they receive votes and finance from inter-mediaries in Palermo who may even be respected politicians

In Rome the Craxi Government has been saying all the right things and, in fairness, taking some concrete steps to fight the Mafia. New extradition arrangements between the US and Italy and closer col-laboration between investiga-tors in both countries have helped. But there is a tendency on the part of Italian politicians to cite the maxi-trial in Palermo as evidence of a victory over the Mafia.

#### Error

That, according to Mr Sergio Mattarella, an anti-Maña Christian Democrat deputy whose brother, the president of the Sicilian region, was murdered in 1980, would be a tragic error. When Prime Minister Bettino

One need only have been on the streets of Palermo a few weeks ago to feel the atmo-sphere of a war between Mafia and state: 2,000 carahinieri patrolled the city for the start of the maxi-trial, helicopters circled overhead, the trial is taking place in a steel-and concrete fortified bunker built at a cost of more than £20m

leaders bave succeeded in the past in conducting business directly from Jail cells. There is no donbt that the Mafia is suffering financially—its alleged financa director. Mr Pippo Calo, is on trial.

In real terms, however, magistrates say the damage cen be compared to that inflicted on a multinational corporation whose

tanks. Progress against the Mafia is diminished, perhaps by 30 or 30 per cent in the past couple of take to view the battle as wongers. Organised crime in Italy Already magistrates are prescribed has annual revenues which are similar to the size of turnanther 305 alleged Mafia memover at say, Fiat, the country's bers, including politicians. Unfortunately there are few in genuine, but it would be a mis-take to view the battle as won. fortunately there are few in Italy who think the next "poli-tical" trial against the Mafia

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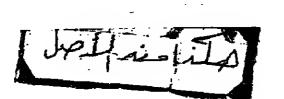
such a large proportion of their production, having to contend with sierce international comperciability.

led Pomini Farrel and have a le operating to "established" sectors, like, for example, that milbon sterling a year, and six of the rolling-milks. All the sabundred employees. They prome, Pomini Farrel have made a duce machinery and plant for name for themselves by provi-both the metallurgical and the ding an excellent pre and post sales and customer service in e way well as reduction gear and over-gear. And through one of their know how to do. Usually these gear. And through one of their know how to do. Usually these associates, Giustina Internatio customers are in their turn ennal of Turin, also produce extre- deavouring to recuperate promely high precision grinders.

They export approximately 70: per cent of their production, to every continent. Their customers sectors, in details of the mann-States, Argentina, Venezuela, ting the most advanced techni-Mexico, Pakistan, Iran, Thaical innovations. Pomini Farrelland and China: besides, of are most certainly masters in this in Europe. The indu-kind of activity. They study the are to be found in the United facturing, but always by adopland and Chrua: pesmes, or are most certainty masters in this course, in Europe. The industrial wind of activity. They study the stries Pomini Farrel have been problem, and then illustrate to active in daily turn out 120,000 the customer the variation or intons of rolled sections, and tegration to be introduced ma-200,000 kilometres of iron rod de to measure to the buyer's

and prestige. The secret? Tech-Pomini Farrel are remarkable oology, research, constant comnot only because they export minned to the changing needs of the customer. In a word, Pomini Farrel, a hundred years of





BY JAMES BUXTON

# Too much of a good thing

UNTIL LATE last summer Massimo Bogianckino was running the Paris Opera. He was enjoying it and the Parisians' esteem for him was high but at four o'clock in the massime. the morning on September 24 the city council of Florence finally ended a conclave that had been going on intermit-tently for more than four mouths and elected him their

Later that day he moved into the chamber of Pope Clement VII, the frescoed room in Palazzo Vecchio from which the mayor runs Florence.

At first sight it seemed a strange transition. Mr Boglanckino, who is 64, is a tall slim, gentleman who does not look built for the battles not look built for the battles of Italian municipal politics, He was not even born in Florence. He did however direct the city's opera bouss for seven years, and before that those of Rome and Milan. and everyone knows that in the highly politicised world of Italian opera you need both determination and acute political judgment.

"I am an administrator, not a politician," says Mr Bogianckino. "The Socialist Party chose me because they did not want an apparatchik. and because they thought I had as much administrative experience as anyone."

Not being a politician, be says, "I am in a very weak position, but this could be a source of strength," says the mayor. "They know I don't play the party games."

Florence is in need of a strong mayor. The left-wing coalition that had ruled the city from 1975 collapsed in 1983 and there followed two years of unstable centre-left gevernment. Unlike in Italy's other major cities, in last May's local elections the electorate swing slightly to the left and the coalition of Socialists, Communists and Social Democrats has a small but adequate majarity.

respected personality in his own right it might be possible to make some changes. Mr Bogiancidno believes Florence needs rejuvenation urgently.

On the face of it, Florence seems the perfect linkin city. It is just the right size, and it iles between green, villa-strewn inits, with the dome of the cathedral rising unchallenged over the tiled. in the centre.

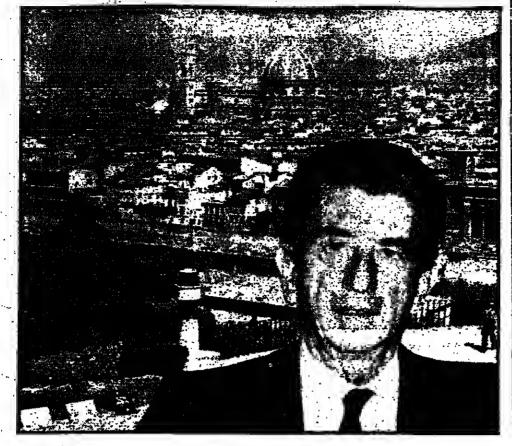
The statistics look reing too. The population is a comfortable, though staric, 440,000. Income per head puts Florence in third place for major Raban cities, after Milan and Bologna, and well

There is a good balance between services — which includes everything from shope and banking to tourism and fashion shows—and industry, which consists of small and medium-sized companies making clothes and parties. making clothes, engineering products and pharmaceuticals.

The trouble is that Florence is too attractive for its own good. The combina-tion of some of the most famous art treasures in the world and a delightful Italian world aim a deliginin rulean city affracts far more people than Florence can cope with. Abundance, in the form of visitors and money, arrives on Florence's doorstep with-out anyone having to lift a

It is reckoned that well over 2m tourists, both foreign and Italian, spend a night in Florence each year. By mid-March the city is already a babel of foreign languages, and by April It is virtually under siege.

- The abundance has its disadvantages. A few months ago a team of analysis from the Rome social research bureau, Censis, produced a report on the city. Through the aimost imponetrable largon it is clear that they considered the city a great deal less advanced and less



Massimo Bogianckino, new mayor of Florence: from the polities of opera to the crowded

dynamic as a centre of services than it ought to have been.

Censis thought Florence should have developed more sophisticated operations in such environmentally un-obtrusive fields as data pro-cessing, to serve the cessing, to serve the manufacturers and business-men not just of the city but of much of Tuscany. It said that the local clothing manufacturers made too little of the big fashion shows beld on their doorstep at the Ptti Palace, and it implied that hotel operators bad grown fat from restrictions imposed by the municipality on botel

It might have added that Florence cries out for the installation of a central elecronic hotel reservation system to which every hotel and pension should be connected. With some reluctance people in the Florentine business community admit that there may be some sub-stance to these criticisms. At the Cassa di Risparmlo di Firenze, the savings bank, the chairman, Mr Lapo Mazzei, names political factors for preventing change.

At the industrialists association the Director General, Mr Massimo Fabio, blames external factors: the lack of a large airport—only now are commuter airliners beginning to fly from Florence to Rome and Milan—the congestion on the autostrada across the mountains to Bologna and the poor connection to the Port of Livarne.

As Mr Bogianckino sees it, Florence is simply "over-loaded," "We have to be able loaded." We have to be able
to breathe," he says. "We
have lost the battle with
Rome and Milan and we are
far less productive than
Prato"—the booming textile
town 12 miles to the west—
"Florentines are intelligent
and honest, but while they
talk, others produce."

He, like much of the city council, including the Christian Democrat opposition, sees a partial solution to the congestion and stultification of the city in a contro-versial scheme for developing a new satellite commercial site covering about a square mile lying two miles from the

The scheme has been put forward by La Fondiaria, the Florence-based company, which is acting in concert with Fiat, the motor group. Between them they control much of the site at

Piana dl Castello, out in the direction of Prato.

The big building project, which would take years to complete, would, it is said, give space to the creation of new businesses in the sector of advanced services, whose weakness Censis Iamented. It would present an alternative would present an alternative to the claustrophobic atmosphere of central Florence.

Not everyone agrees, however, Firenze Vivia, a con-servation organisation, is say, would lead to the "desey, would lead to the de-generation" of the city. It would upset its equilibrium, drawing business and em-ployment from the centre, acter. The new development would make Florence toe big. It would make the traffic even worse.

Firenze Viva's counter-proposels are barely less radical in their own way. They want the council to ban the conver-sion of "traditional" shop: 51 the centre of the city to new uses. To rebuild the establish-ment of new bank branches in ment of new bank branches in the heart of the city and to persuade husinesses which the conservationists think are out of keeping with Florence to move elsewhere. The muni-cipality should lease property to people prepared lo live in the centre and who carry on activities "in tune with local

jects all this, "The centre of will not lose its magnetic power," he says. "Bot in Florence we cannot have the chaotic development that you see on the outskirts of Rome -that's like Casablanca.

"If you don't have a pro-ject for the inture, Florence won't have a future."



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Aerial view of Bari: mercantile tradition of links with Arab cultures

PROFILE: BARI

BY ALAN FRIEDMAN

# Mercantile city that hates to stand still

BARI, the capital of the Puglia region, has always had a mercantile tradition, has always been populated by hard-working people and is today an exception in the otherwise underdeveloped and agrarian Mezzogiorno (South) of Italy. The Rarses are proud of their The Barese are proud of their tradition, although they are slightly piqued when Italians refer to the city as "the Milan

A 13th-century saying about Barl remains true today: "In Barl he who does not engage in

The population, around 400,000, makes it about the size of Florence, but if the suburbs are included the figure rises to 14m. Organised crime does not griss in Bari although pickexist in Bari, although pick-pockets bave become a prob-lem. The city handles much of the ferry traffic for commerce and holidaymakers heading for Greece, Yugoslavia and Albania. Many of the companies in and around Bari derive 70 to 80 per

per cent of their sales from exports to other countries in the Mediterranean, especially North Africa. Indeed Bari has one of the most important meat pro-cessing factories which pre-pares meat according to the Koran for shipment to the Arah

Bari is a dynamic place, with a lively cultural life: there is a respected conservatory, opera stars such as Pavarotti visit frestars such as Pavarotti visit frequently, Broadway plays such as A Chorus Line are staged and Barl hosts Italy's biggest modern art fair each year with 257 galleries exhibiting. The city has a busy 60-acre large trade fair—the Fiera del Levante—which last September attracted 25m menio in 11 attracted 2.5m people in 11 place to loave, not so easy to

The local economy is about The local economy is about 50 per cent commerce (whole-saling, distribution for several regions in the South of Italy, import-export), 25 per cent agriculture (grapes, wine, olive oil, almonds, vegetables) and 25 per cent light and medium industry. The biggest company is Calabrese, an industrial vehicles and transport group with L200bn of turnover and 2,000 employees.

Calabrese derives 65 per cent of its turnover from exports, is

of its turnover from exports, is active in Algeria. Tunisia, Libya, Egypt, Iran, Iraq and Pakistan, and works closely with the Fiat Group's Iveco subsidiary. The company is now building a joint venture industrial vehicle factory at Tajura, near Tripoli, which will he 75 per cent

Libyan-owned.

The province around Barl is dotted with knitwear and shoe factories which export as much as 90 per cent of their goods. The 150 shoe companies which average L10bn annual sales each, employ about 25 to 30 workers. The city university and workers. The city university and companies such as Olivetti and others are working to develop a science park and research contre called Tecnopolis.

Bari itself is actually three cities in one: the historic centre, and the contrelation of the control of the contrelation of the contrelation of the contrelation of the contrelation of the control of the con

with buildings dating back a thousand years, a 19th century adjacent zooe designed by Napoleon's representative on a grid plan, and the post-war in-dustrial zone. Bari is hy no means a pretty city and despite its energy is not necessarily an exciting place to live. Mr Nicola Milillo, a Bari native who is now editor of Italy's management and Impresa magazine in Milan, says dryly that "Bari is an easy place to loave, not so ages as a true Barese. This is not a true Barese.

return to."

Nonetheless, the city boosts itself. It is proud of the 100 year old prestigious Laterza publishing bouse, of its most famous native son—Aldo Moro, the Prime Ministor who was kidnapped and murdered by the red brigades-and of its influ-Italy.

The main problems facing the the main problems lacing the city are the rise of youth unemployment, a stand-still in the construction industry, a neglected historic centre and chaotic traffic which makes getting around Bari less than pleasant. Despite being a successful commercial centre, Bari lacks a financial market and looks to Milan in the north. Mr Glanfranco Dioguardi is a

Barese who lectures at the university and has a construction company. His view of the future coincides with that of other business leaders: "I see Bari continuing as an increasingly important commercial centre, with more service industry, a more important role In the regions of Puglia, Basili-cata and even Campania and a reinforced role as a point of contact between European and Mediterranean cultures."

He notes that Bari's university has a large Arab population as many North African states see the city as a training centre, especially in manage-ment studies. The fall in oil prices, however, could spell trouble for a city which relies on trado with the Middle Tast for a major part of its income.

10/13 April fair ance for the future.

# Bolognafiere

Bologna International trade Fairs '86

in Italy reach the world

6/9 February Expovest

Italy is fashion

19/22 February Hospital Public health convention

22/26 February

Sioa The Informatics, telemotics and company organization expo

Saiedue Spring building expo

12/16 March

Children's book

25/28 April Cosmoprof Exhibition of perfumery and cosmetics

8/10 May Lineapelle International exhibition of leathers, models, synthetic products and

Casastile exhibition Exhibition for domestic and gift

9/12 May

22/26 May Artefiera International fair of contemporary art

5/8 September Micam/ Modacalzatura International footwear exhibition

18/21 September Expovest Itoly is fashion

30 September/5 October Cersaie

International exhibition of ceramics for the building industry and bathroom furnishings

22/26 October Saie International exhibition of building industrialization

12/16 November Eima International agricultural mochinery manufacturers exhibition

6/14 December Motor Show International exhibition of motoring SPECIAL INITIATIVES

26/29 March Singapore Saie/Sibex '86 Saie combined exhibit at Sibex '86 International Building Exhibition

2 May/13 October Vancouver, Expo '86 Transportation and Communication.

The Bologna Exhibition Center ond the Guglielma Marconi Foundation will be responsible for the organization of a part of the Italian Pavilion on the theme "From Guglielmo Marconi to optical isolotors and beyond".

15/22 July Moscow Stroitalia '86

Itollan exhibition of machinery, materiols and technology far the construction industry. The Saie of Balogna will take part in various commercial and cultural activities during the exhibition

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# Restructuring lifts haute couture profits

**Fashion** MICHAEL GRIFFITHS

IT WAS the most glamorous and elegant occasion so far in the new presidency of Mr Francesco Cossiga. He invited about 300 people to the Quirinale Palace in Rome, all the men (most unusually for Italy) wearing dinner jackets. There were film and television stars, artists and, inevitably,

But the real stars were Valentino, the country's leading fashion designer, and a cluster fashion designer, and a tuster of other big names from the world of Milan fashion: Fendi, Ferragamo, Armani, Krizia, Versace and others. The party was intended to honour the men who have made Italian fashion probably the most successful in Europe.

These designers are at the major clothing manufacturers bave lately heen turning in good profits, the whole industry was known until recently for its "profit fragility"—mainly because of the very high cost of marketing in what is by definition a volatile market. For smaller companies it can still be a precarious existence.

In the 1970s companies reacted to poor results by de-centralising production and moving towards greater brand differentiation in marketing. We are now starting to see the results of companies' efforts to restructure and renew product lines," says Mr Armando Branchini of the Italian clothing manufacturers association,

For example, Gruppo Figanziarlo Tessile (GFT), one of the higgest clothing manufacturers which is based in Turin, made a 1.25bn profit in 1984 on sales which jumped 23 per ceot to 710bn. It made new investment of 18bn, nearly 10 per cent of total capital invested.

GFT produces and distributes collections designed by Valentino, Armani, Ungaro, and Louis Feraud. The use of designer names (or griffes as they are called in the trade) bas enabled the company to move upmarket without relinquishing the strong positions it holds in ture,

through its own hrands, like Cori and Facis.

The use of designer names means that "haute couture" in belping Italian manufacturers to get the product decinames such as Valentino are now available at reasonable prices to a larger market through their ready-to-wear collection, and to transfer drawlections produced mainly under licence by independent manufacturers. It appeals to the modern Italian to be seen wear-

ing Valentino or Armani.
It is reckoned that the top names in Italian fashion now account for between 5 and 10 per cent of the total Italian clothing industry's sales clothiog industry's sales (L23,000bn in 1984). The leader is Valentino, with sales of about L300bn, followed by Armani and Versace, with about L250bn

#### Vulnerability

But fashion is a husiness where marketing costs increase rapidly when high value-added products require big investments in image and design. The table illustrates the extreme These designers are at the apex of a system of manufacturing and marketing which gives Italy an annual trade surplus of about L4,000bn distribution costs and is hased (£1.7bn). Yet although the on the author's experience of working for a range of com-panies in the Italian clothing industry over the past 10 years. In fashion markets the control of these costs hecomes indispensable for survival, and only companies with access to substantial financial resources can afford the luxury of "de-signer name" marketing. The smaller company is either forced back to compete on price (to the detriment of creating resources for future growth) or hecomes a production unit for large designer names hungry to reduce manufacturing overheads through extensive use of sub-contractors — the famous "terzisti" or third parties of Italian clothing

> yarn) and then the interpretation of designs for final collection — can be very expensive.
>
> The task of material/colour The high costs of fashion marketing selection requires close atten-tion to market trends. "Here the designer/stylist is often closer to the market than we industrialists are," says Dr Zegna, head of Ermenegildo Zegna, a major Italian clothing manufacturer which has moved into the men's fashion market from a long-established, tradi- Operating margin (before general overheads) ... tional base of cloth manufac- Source: Author's research

ings into prototypes, or working models. Here the skill of the pattern cutter (modellista) ls vital; it takes many years of "cutting and sewing" experi-ence if designer sketches are to he interpreted into models which are economic for produc-

working models will then be modified, re-worked and re-submitted before heing accepted

submitted before heing accepted for inclusion in the final collection, ready for production of the sample collections required for selling.

A full women's collection (excluding knitwear) can easily extend to 50 or 60 models and to reach that number may require at least 80 to 90 prototypes. "We speed between a minimum of 3 per cent and 10 types. "We speed between a minimum of 3 per cent and 10 per cent on collection development," says GFT. This includes the cost of internal staff such as pattern cutters (modellisti).

An international distribution An international distribution could well call for 15 to 20 collections per season, and sales will prohably he concentrated on only about 30 per cent of models offered. The cost of producing prototypes and the collections themselves (standard production costs (standard production costs should probably be doubled to allow for small runs/initial production problems) is often ignored by companies to their peril, hut it is rare to find prototype/collection production controlled as a seperate cost

Another hidden cost lies in the fact that most collections at the end of season will be sold with "clearance stock" diswith "clearance stock" dis- Royalties have become a counts of at least 30-40 per cent. lucrative source of income for Product development — the If a collection at trade prices selection of materials (cloth or costs LAm and 20 collections

(expressed as a percentage of sales)

Fashion fairs and publicity .....



to right) are Marco Rivetti, managing director of GFT, and designers Giorgi Armani, Emanuel Ungaro and Valentino

development costs, including royalties/designer fees, well

are produced. 40 per cent of L80m can dig deeply into pro-fits, particularly for the smaller

In had selling seasons the total cost of sample collections can amount to as much as 20 ped cent of sales, and it hurts to have to discount that stock at 40 or 50 per cent.

The relationship hetween designer and company is always a delicate one. Bruno Plattelli.

who licenses his full men's range to four main manufacturers, says: "It's a two-way process where the capacity of the stylist to understand what is technically possible in a given production situation has to marry with the ability of the company to adapt designs to economic reality."

fall into the trap of producing uneconomic designs for "image" reasons, and this can be fatal, particularly in an industry where labour costs can even be as bigh as 80 per cent of cost of goods, says Bruno Piattelli. top Italian designers, and lead-ing names like Valentino and Armani earn sums in the region of L50bn (about £20m) from royalties. These will vary between 7 and 12 per cent of The control of marketing sales, and thus can put product

#### over 20 per cent of sales. Knitwear line

For this reason some com-panies seek to reduce the cost and risk through the development of their own brand names. For instance, ICAP of Perugia who produces and sells part of the Armani range, has successfully developed his own high fashion knitwear line "Pitti." Zegna and Max Mara have aggressively followed "own label" strategies where de-signer costs can be held at much iower levels than for "high royalty " lines.

The prime thrust of most high fashion advertising and pro-motion is to the retailer and only indirectly to the consumer. For this purpose participation at fashion fairs, with own spon-sored fashion shows, becomes first priority for the advertising hudget. A one-hour fashion show can cost a leading name US\$100,000, and licensees will be asked to contribute in the form of sample collections

shown by the mannequins, Further, designers, in addifor a contribution to advertising costs, and most contracts call reduced through the restructure for a contribution amounting to at least 5 per cent of sales, with a guaranteed minimum, which, in the event of poor sales performance, is all borne by the licensee. At this level it is marketing.

The marketing costs, Now that price and the dollar. Italy will them from them. Soon parliable benefit more from them of developments than other western. European countries, 30 years, which would formally since it is more dependent than confer greater authority on the them on imported oil and gas, Prime Minister, presently only and has done so little in the past a primus interpretation.

That they should sprove a law, interpretation for them should sprove a law, interpretation for them. Soon parliable benefit more from them. Soon parliable benefit more from them. Soon parliable benefit more from these ment could sprove a law, interpretation for mittently under discussion for western. European countries, 30 years, which would formally since it is more dependent than the past a primus mittently under discussion for western. European countries, 30 years, which would formally and has done so little in the past a primus interpretation for ment could sprove a law, interpretation for the past and has done so little in the past a primus interpretation for western. European countries, 30 years, which would formally since it is more developments. The countries of the past and has done so little in the past a primus interpretation for western. European countries, 30 years, which would formally since it is more developments. The countries of the past and has done so little in the past a primus interpretation for the past and has done so little in the past a primus interpretation for the past and has done so little in the past a primus interpretation for the past and has done so little in the past a primus interpretation for the past and has done so little in the past a primus interpretation for the past and has done so little in the p

impossible for promotion and advertising costs not to exceed 10-12 per cent of sales.

costs in a high fashion market environment has always been a delicate balancing act, com-pounded in difficulty by the fact that the process is repeated afrest twice a year, ie for spring/summer and autumn/ winter collections. Since material and labour costs will not vary significantly between one manufacturer and another (given the same type and quantity of article), it is volume which becomes the key to profit ability, and volume in this market depends on being able to sell at the prices which can support high marketing costs.

This is no easy task when cost of goods may have to be marked up at least twice to cover "below gross margin" costs. Further, manufacturers prices are under intense pres sure from international buyers, where in the US, for example, the consumer may be paying as much as four times ex-factory price in Italy, when transport costs, duty, local distributor costs and retailers' margins have all to be absorbed.

And that is probably one of the reasons why Italian companies are turning to more sophisticated systems for the control and value analysis of tion to royalties, ask licensees their marketing costs. Now that for a contribution to advertising production costs have been

# Craxi consolidates his power

CONTINUED FROM FAGE 1

the extraordinary boom of the Milan stock exchange, which doubled last year and is already up by nearly half as much again this year. It is transforming a million Italian savers into serious stock exchange investors—mainly through unit trusts—is forcing Milan financial institutions to modernise and could loosen the grip of old industrial oligarchies on the financial markets. . .

has been easy. It was his own has been easy. It was his own disruptive behaviour as a discontented junior coalition partner that brought down the five governments in the four years before he became Prime Minister.

Once in power, events naturally improved. Even so, staying in office has had to be a permanent preoccupation for him. Yet he has hardly ever looked at a disadvantage.

him. Yet he has hardly ever looked at a disadvantage: quick to anger and possessed of nerve, his reaction to any setback has always been to attack and raise the stakes. With considerable guile he switches his allegiance from one power group to another—first it was the Agnellis, now it is Mr De Benedetti. Lately be has been quite unabashed about dirting with the Communist. firting with the Communist opposition, thus raising the spectre, severely worrying to the Christian Democrats, of a man who regards no alliance as

In the complicated horse trading now going on between the parties on the future of the Government, the idea of Mr Craxi being asked to stand down is inconceivable. Despite me arst post war Italian prime Yet changes are taking place; minister to be exhibited at because Mr Crari has been in.

The windfall will mean lower inflation—perhaps to 5 per cent this year. The balance of payments ought to return to equilibrium or better, and the Government should be able to boost its revenues by keeping petrol taxes high as the cost falls.

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Indeed, there is a danger that in the general euphoria spend-ing will rise in real terms and the chance to improve the Government accounts will be financial markets.

In one sense, Mr Craxi's new mood has been given a achievement in staying in power typically hyperbolic name; has been easy. It was his own "cuccagna," meaning abundance, and parallels are being drawn with the period of low inflation and fast growth in the

The main criticism against the Craxi Government is that events it has not made the most of its opportunities to promote serious reforms. Centainly it serious reforms. Centainty it had a meagre balance sheet to show for last year, when it was excessively distracted by elections. But a five party codition government with minimal control of perdiament, facing a compact Communist opposition is hardly the best launchpar for change.

The reforms of the 1970s were achieved because the situation was so critical and hecause the Communists were co-operating Now neither of these condition

#### Reforms

As a result, vast, problems such as decay of the education system, the labyrinthine futility of much of the bureaucracy, and the growing gap between the poor south and the rest of the country have not been given the its preponderance in the coall- attention they should. Nothing tion the Christian Democrats much seems to be done about could not plausibly replace the youth unemployment, which man who stood up to President accounts for 75 per cent of all accounts for 75 per cent of all Reagan over the Achille Lauro unemployment and is particu-affair last year and who is to be larly bad in the south.

Indeed the prime minister's Minister's office is discreetly room for manoeuvre has been acquiring a little more power expanded thanks to Italy's good at the expense of the ministries fortune with the fall in the oil — with surprisingly little object price and the dollar. Italy will them from them "Soon parila-

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